

WORLD NEWS

Police to investigate ferry sinking

The Director of Public Prosecutions yesterday asked Kent police to begin a new inquiry into the Zeebrugge ferry disaster. This would open the way for the DPP to bring charges of manslaughter against individuals, and possibly Townsend Car Ferries, which owned the ferry at the time of the sinking, which took 188 lives. Page 4

Offer by Ortega

Nicaraguan President Daniel Ortega presented ceasefire proposals for the war with Contra rebels at a meeting with a mediator in Washington. Back Page

Italian Liberals pull out

Italy's Liberal Party, rejecting proposals to overcome its objections to the 1988 budget, said it was pulling out of the five-party coalition government. Back Page

Olive branch for ANC

The Government kept open the option of talks with the African National Congress, despite Mrs Thatcher's denunciation of it as a terrorist group. Back Page

DNA test for rape

Labourer Robert Mellis was jailed for eight years in Bristol after admitting rape. It was the first conviction in the world following a "genetic fingerprinting" DNA test, relating blood samples to semen stains near his victim. Page 2

Two accused of murder

Two men were charged with murdering two Sikhs at a prayer meeting in west London on Wednesday. Page 2

VAT fraud verdicts

Four people were found guilty at the Old Bailey of offences related to an attempt to evade paying \$5.5m in VAT on gold. Page 2

Iraqi jets hit tug

Iraqi jets attacking a Greek tanker in the Gulf hit a salvage tug, killing two crew. Page 2

Ethiopia famine warning

The UN warned that thousands of people faced starvation in drought-stricken Ethiopia in the next few weeks. Page 2

Sri Lanka curfew

Police imposed an indefinite curfew in the eastern Batticaloa district of Sri Lanka after troops arrested 500 suspected Tamil rebels there. Page 3

Kinnoch visits Ulster

Labour leader Neil Kinnoch promised full support for security forces in their fight against terrorism, during a short visit to Northern Ireland. Page 5

Prison revolt ends

Rioting inmates at a jail in Chateauroux, central France, released their 12 hostages and surrendered. Page 5

Action on degrees

The Government is to outlaw bogus degrees, said Higher Education Minister Robert Jackson. Page 4

Passengers drown

At least 39 passengers drowned in a sewage canal in Mexico City after a bus ran off a highway. Page 5

Weather man blamed

Villagers in Reunyangi, Uganda, killed a rainmaker they blamed for a hailstorm which devastated their homes. Page 5

MARKETS

DOLLAR
New York lunchtime: DM 1.8596
FFr 1.73
Sfr 1.3896
Y135.8
London: DM 1.888 (1.888)
FFr 1.725 (1.725)
Sfr 1.3875 (1.3875)
Y135.9 (136.4)
Dollar index 97.98.5
Tokyo close Y138.05
US LUNCHTIME RATES
Fed Funds 6 1/4 %
3-month Treasury Bills: yield: 8.04 %
Long Bond: 9 1/4 %
yield: 8.86 %
GOLD
New York: Comex Den latest \$465.8
London: \$465.25 (+63.5)

STERLING
New York lunchtime \$1.788
London: \$1.7885 (1.7876)
DM 2.985 (same)
FFr 10.125 (10.11)
Sfr 2.485 (2.485)
Y240.25 (239.75)
Sterling index 76.3 (same)
LONDON MONEY
3-month interbank: closing rate 8 1/4 % (same)
NORTH SEA OIL
Brent 15-day Nov (Argus) \$18 (18.025)
STOCK INDICES
FT 100 1,817.1 (-11.7)
FT-A All Share 940.38 (-1.19)
FT-SE 100 1,817.1 (-11.7)
FT-A long gilt yield index: High coupon: 9.26 (9.16)
New York lunchtime: DJ Ind Av 1,940.15 (-20.06)
Tokyo: Nikkei 22,443.25 (+901.75)

Chief price changes yesterday: Back Page

Australia \$2.22; Bahrain Dhs0.650; Bermuda \$1.50; Belgium Bfr4.95; Canada C\$1.00; Cyprus C\$0.75; Denmark Dkr4.00; Egypt E£2.25; Finland Fmk7.00; France FFr6.50; Germany DM2.20; Greece Dr100; Hong Kong HK\$2.00; India Rs100; Indonesia Rp1,000; Israel NIS3.00; Italy Lira500; Japan ¥100; Jordan JDs0.50; Kuwait Kd0.50; Lebanon L£1.25; Luxembourg Lfr4.25; Malaysia RM4.25; Mexico Ps200; Morocco Mds0.00; Netherlands f10.00; Norway Nkr4.00; Philippines Ps20.00; Portugal Esc100; Saudi Arabia Rs5.00; Singapore S\$1.00; South Africa Rand1.00; Sweden Sfr4.00; Switzerland Sfr2.20; Taiwan NT\$20; Thailand Bht30; United Kingdom £1.00; USA \$1.00; Turkey Lira500; Yugoslavia Ddr1.00
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SELLING PRICE IN IRELAND 60p

BUSINESS SUMMARY

Inflation rate rises to 4.5%

UK INFLATION reached an annual rate of 4.5 per cent last month following an unexpectedly high monthly increase of 0.5 per cent in the retail price index.

Price increases for a wide range of products, particularly seasonal foods and leisure goods and services, fuelled the rise. But the Government repeated its forecast that the annual rate would fall to an average 4 per cent in the final quarter. Back Page

INDUSTRIAL production in Britain grew at a rate of 3 per cent in the three months to September compared with the same period last year. Manufacturing output was up 6 per cent, but energy sector output down 3 1/2 per cent, according to government figures. Page 4

EUROTUNNEL, Anglo-French group building the Channel tunnel, said the international tranche of its \$770m share issue was fully underwritten and that it had firm indications from institutional investors that the rest would also be. Back Page

BANK OF AMERICA International is withdrawing from market making in floating rate notes. Page 10

UNITED STATES is to retaliate with tariffs against \$105m (\$59.3m) worth of Brazilian products in response to Brazil's decision to refuse a software licence to an American company. Page 2

EUROPEAN Commission is to investigate alleged unfair shipping freight rates by Hyundai Merchant Marine of South Korea, using for the first time shipping rules agreed by member states about a year ago. Page 3

INTERNATIONAL Digital Communications, telecommunications group led by Cable & Wireless, is to be granted a licence to operate an international telecoms business in Japan, ending C & W's two year fight for a prominent role in the industry. Page 3

NORWAY's minority Labour Government was criticised by opposition parties for deciding to raise oil prices against the state oil company Statoil, responsible for cost overruns of about Nkr6bn (\$440m) at a refinery expansion project. Page 2

TNT, Australian-based international transport group, boosted first quarter net profits 43.7 per cent to A\$48.95m (\$18.2m). Page 10

AUSTRALIAN entrepreneur Robert Hume, court, hard hit by the stock market collapse, is selling properties worth a total of A\$206m (\$79.7m) to help meet debt obligations. Page 10

LOREAR Telepictures, troubled Hollywood film studio, announced quarterly net losses of \$58.3m (\$32m) - largely from writedowns in estimated values of motion pictures - compared with a \$2.2m loss the previous year. Page 10

RENLOX, civil engineering and investment dealing group, is extending its bid for Storehouse to December 3, having received acceptance for just 0.55 per cent of the retail group's shares. Page 8

BOC, industrial gases and healthcare company, agreed the \$59.5m (\$33.7m) purchase by its US subsidiary Glascock of two healthcare companies owned by Baxter Healthcare of the US. Page 8

BASS, brewing and leisure group, negotiated terms of a \$100m (\$57m) debenture issue convertible into Holiday Corporation shares after a sharp drop in the US hotel operator's share price. Page 8

Hongkong Bank buys 14.9% of Midland in deal worth £400m

BY DAVID LASCELLES IN LONDON AND KEVIN HAMILIN IN HONG KONG

THE HONGKONG and Shanghai Banking Corporation is to take a 14.9 per cent stake in Midland Bank, the smallest of the Big Four clearers, realising a long-time ambition to gain a foothold in the UK market. The UK Government, which thwarted the Hong Kong bank's takeover bid for the Royal Bank of Scotland in 1987, has been less than forthcoming in its authority to block stakes of less than 15 per cent. However, the	RANKING OF THE TWO BANKS (Figures for end-1986)				
	Assets (\$bn)	Pre-tax profits (\$m)	Employees	Position in world league	
	Hongkong and Shanghai Bank	91	n/a	50,000	31
	Midland Bank	78	640	67,500	34

Source: The Banker

THE HONGKONG and Shanghai Banking Corporation is to take a 14.9 per cent stake in Midland Bank, the smallest of the Big Four clearers, realising a long-drawn-out bid to gain a foothold in the UK market.

The UK Government, which thwarted the Hong Kong bank's takeover bid for the Royal Bank of Scotland in 1981, has no legal authority to block stakes of less than 15 per cent. However, the \$400m deal announced yesterday was made with the knowledge of the Bank of England and came with a pledge from the Hong Kong bank not to increase its stake for three years without Midland's consent.

Sir Kit McMahon, chairman of Midland, said the deal was "an extremely positive development" which would enhance Midland's capital and strengthen its business.

Mr William Purves, Hongkong Bank's Scottish-born chairman, said his bank had been seeking to expand in Europe for several years.

"I am very pleased indeed that we now have this opportunity to be much better represented by a bank which is well established in Britain and has strong subsidiaries across the Channel."

The deal was brokered when the two chairmen met at the International Monetary Fund meeting in Washington in September.

Hongkong Bank is to buy 51m newly-issued shares in Midland at a price determined by Midland's net asset value at the end of this year. An initial payment

of \$383m based on Midland's mid-year value of 476p per share will be paid shortly and will be topped up once Midland's 1987 accounts have been drawn up. Sir Kit said he expected the total to be in the region of \$400m.

However, Midland warned that it would be making a \$100m provision for doubtful loans this year because of the unsettled economic outlook. This would be in addition to the \$200m provision it made against Third World loans last summer.

The deal will need the approval of three-quarters of the shareholders at a special meeting. Midland's shares closed at 285p last night, up 30p.

The two banks claimed yesterday that their businesses fitted well together and that there was much scope for co-operation. Midland's geographical strength in Europe is complemented by Hongkong Bank's presence in Asia and the US. They also have investment and merchant banking business which could be linked.

The agreement says the banks will try to rationalise their activities to achieve cost savings. Each will retain its core businesses, but Midland may assume or buy Hongkong Bank's European operations and transfer its non-European activities to Hongkong Bank.

Sir Kit would not say which businesses would be rationalised, but Midland would retain its capital market operations in the US and the Far East.

When the deal is completed, Mr Purves and Mr Kenneth Barker, the head of Hongkong Bank's London office, will join Midland's board and Sir Kit will become a director of the Hongkong bank.

Mr John Gray, Hongkong Bank's executive finance director, said that using net assets as a "fair way of valuing" Midland.

"The premium to market value Continued on Back Page

Bids to hold vote at Midland, Page 5; Feature, Page 6; Lex, Back Page

Share prices and dollar improve on volatile week

BY SIMON HOLBERTON IN LONDON AND STEWART FLEMING IN WASHINGTON

FINANCIAL MARKETS ended another volatile week's trading yesterday with a recovery in share prices worldwide and the dollar trading above the historic lows it reached earlier in the week.

The London share market was the best performing of the major equity markets over the week, despite seeing something of a reverse yesterday. At the close the FT-SE index, down 11.7 points to 1,817.1, was 8.6 per cent up compared with a year before and more than 7 per cent higher than the low it reached on Monday.

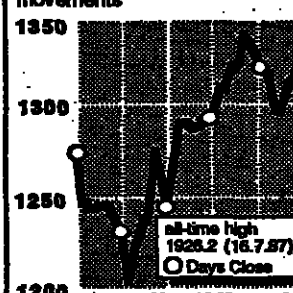
Tokyo staged an impressive recovery towards the end of the week to end level with last Friday's close, while in New York, the Dow Jones Industrial Average was up by 1.19 points to 2,850.75, a recovery from a low of 2,799.50 a week ago.

European bourses ended a turbulent week when their strength and depth was tested by foreign selling. After last night's rally, early in the week markets recovered to close near the levels of a week ago as signs of domestic buying interest appeared.

The dollar was helped during the week by a number of factors. An off-the-cuff remark by President Ronald Reagan, US trade figures showing a deficit of

FT Index

Ordinary Share, hourly movements



\$14bn for September, and a hope - not met - that White House and Congress would agree a package of budget deficit cuts by the week's end, and all gave traders reasons to take some profits.

Yesterday, with no such agreement materialising, the dollar traded in a narrow range in what traders described as a thin and listless market. The budget talks resumed yesterday morning, but broke off to be resumed on Monday.

Disagreements about the balance of the \$23bn-\$30bn deficit reduction package being considered, in particular the size of prospective cuts in defence and increases in tax revenues, triggered a stalemate in the discussions just as both sides were raising hopes that an agreement might be near.

Republicans and Democrats appear to be worried about the difficulties they could face in securing approval for an agreement from members of their parties on Capitol Hill. An outline agreement reached by the negotiators would still have to go through the normal Congressional budget process, and be endorsed by President Reagan.

The outlook for financial markets is very much dependent on the outcome of the US budget talks. In the background is a possible meeting of the Group of Seven leading industrial nations to attempt to co-ordinate their economic policies in the wake of an agreement on the US budget.

Financial markets are hoping that a G-7 meeting would endorse lower interest rates, but Mr Michael Wilson, Canada's Finance Minister yesterday cautioned against expecting that any meeting of G-7 nations would agree a sharp reduction in interest rates.

Continued on Back Page

Wall Street crash hits Porsche sales

BY ANDREW FISHER IN FRANKFURT

PORSCHE, the West German luxury sports car producer, cut production and introduced short-time working because of a sharp fall in US sales after the Wall Street share price collapse.

After a 30 per cent drop in US sales last month, Porsche said yesterday that it was again raising prices there by an average of nearly 3 per cent and reducing production over the rest of its current financial year to the end of July, 1988.

With more than half of its sales going to the US, the Stuttgart-based company is particularly vulnerable to setbacks across the Atlantic. The weakening dollar has already hit profits in the past two years.

After its best September ever, with 2,800 cars sold in the US, Porsche sold only 1,500 in October, although the month had

begun well. "I don't expect a major recovery in November," said Mr Hans Halbach, the marketing director.

The company said it was too early to state how many of the 5,500 workers at its plant in the city's Zuffenhausen suburb would be affected by short-time working. Porsche cars are also made by Audi, the Volkswagen subsidiary, at Neckarsulm.

Short-time working will not start until early next year. Production cuts at the two plants will be phased in during the rest of 1987-88, with total output for the year from 20 to around 40,000 cars from an expected 48,000 in 1988-87, production was 50,700 cars against 53,600.

Porsche's sales in the US this year would be down to between 22,000 and 23,000 from about

27,000 the previous year, Mr Halbach said. It was not just the price - a six-cylinder 911 Carrera costs \$43,000 (\$24,314) - that caused people to hold back.

"People who buy our type of car, regardless of the price, are so closely involved with the stock market and the economy in general that they simply say 'wait and see' before taking a decision," he said.

The company, controlled by the Porsche and Pech families, has already cut output of its cheaper Audi-made four-cylinder 924 and 944 models from 134 to 100 a day after slow sales. This will now go down gradually to less than 80. Production of the costlier six and eight-cylinder models will stay at 104 daily, but production will be stopped on certain days.

Continued on Back Page

Independents to challenge BA's right to BCal

BY MICHAEL DOHNE AND CLAY HARRIS

INDEPENDENT airlines are preparing to mount a legal challenge to this week's Monopolies and Mergers Commission report which cleared British Airways to launch a new bid for British Caledonian Group.

BCal meanwhile announced the sale of its helicopter division to Bristol Helicopter, Britain's largest helicopter operator and a subsidiary of British & Commonwealth Holdings, the financial services, transport and industrial group. This completes a series of disposals which has left BCal with little more than its scheduled airline and a half stake in a charter carrier.

Mr Peter Smith, managing director of International Leisure Group, which owns Air Europe, said last night there had already been a meeting of independent airlines to discuss strategy on the Monopolies Commission report. "A large number of independent parties are intending to challenge it until it changes."

It is believed that the planned legal action will centre on the commission's decision to allow BA secretly to submit revised takeover terms on which the report was eventually based. This prevented other parties, including BCal itself, from commenting on the new conditions, which are not binding on BA.

"BA's interpretation of its own drafting means that no one else will be able to fly from Gatwick," Mr Smith said. "It is designed to undermine any meaningful challenge."

Monopolies Commission decisions are open to judicial review, but the commission is believed to have been held in these cases. In 1985, Matthew Brown, the brewer, unsuccessfully challenged a bid clearance because it had not been given an opportunity to comment on evidence given by Scottish & Newcastle Breweries.

The helicopter division lost \$1.37m on turnover of \$11.9m in the year to October last year. Bristol will honour existing contracts and take over four Bell 214ST aircraft, two Sikorsky S-61Ns and one Sikorsky S-76A. It does not plan to keep another leased Sikorsky S-61N.

Continued on Back Page

Scargill opponents may not stand for presidency

BY CHARLES LEADBETTER, LABOUR STAFF

MR ARTHUR SCARGILL, president of the National Union of Mineworkers, yesterday scored a tactical victory in his campaign for re-election the other day, thereby turning the election into something of a farce, it seems likely that potential candidates will emerge towards the middle of next week. Nominations have to be made by December 14.

Mr Johnny Walsh, the NUM agent for the North Yorkshire coalfield, widely thought to be

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WEEKEND FT



BRITISH ART

Work by living British artists is suddenly in worldwide demand, with the salerooms challenging galleries for a share in the profits. FI

FINANCE

Eurotunnel - good or bad buy? FIV

TRAVEL

Ordeal on the Algarve: Michael Thompson-Noel reports. PVIII

HOW TO SPEND IT

...on pretty party dresses. FXVII

COGNAC

Very Special New Pales. FXVII

ARTS

Cymbeline and the RSC: Stratford season. FXIX

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OVERSEAS NEWS

EC inquiry into 'unfair' Korean shipping rates

BY WILLIAM DAWKINS IN BRUSSELS

THE European Commission will today launch its first inquiry into allegedly unfair shipping freight rates, marking an important extension of its anti-dumping powers.

The investigation is into a complaint by eight EC shipping lines that Hyundai Merchant Marine of South Korea is illicitly undercutting their rates on routes between Europe and Australia.

This is Brussels' first use of shipping trade rules agreed by member states almost a year ago. The outcome of the inquiry, expected early next year, will have a bearing on tensions over rates between EC shippers and Soviet and Taiwanese competitors, which are longer standing sources of irritation than the South Koreans.

If Hyundai loses this case, the Commission can impose charges on Hyundai-carried goods at delivery to EC ports to bring the South Korean line's Australian freight charges in line with normal rates. The EC shippers claim that Hyundai has been given unfair Korean Government support to help it undercut average European rates on the Australian route by 25 per cent, rising to 30 per cent in recent months. They calculate a European norm by comparing rates between ABC Containerline, a Belgian carrier

involved in the complaint and Eagle Line, a non-EC Swiss registered shipper outside the action.

As a result, Hyundai has carved out 5 per cent of the business on the EC-Australian route since starting there late last year, says the complaint. Community lines' capacity utilisation has dropped by 7 per cent as a result, so their rates have become uneconomic, according to the Commission. If this goes on, the EC shippers' profitability will drop sharply and jobs will be at risk, says the complaint.

It says Hyundai has massive outstanding debts which have been refinanced on favourable terms by the Korean Government Bank; that the Korean line has benefited indirectly from Government shipbuilding subsidies to Hyundai Industries Group of which it is a part and from which it bought vessels at knock-down prices; and that Hyundai is benefiting from a state cargo reservation scheme in trade to and from Korea.

The complaint is by P & O Containers and Associated Container Transportation (Australia) of the UK, la Compagnie Generale Maritime of France, East Asiatic Company of Denmark, Hapag Lloyd of West Germany, Lloyd Triestino of Italy, Nedlloyd of the Netherlands and Compania Naviera Marasía of Spain.

Moscow buys EC butter at one-fifteenth its cost

BY TIM DICKSON IN BRUSSELS

THE European Commission yesterday announced that 200,000 tonnes of unwanted butter had been sold to the Soviet Union and predicted that the EC's notorious butter "mountain" would be cut in half this year.

The latest deal, which is part of the Community's emergency disposal programme agreed by member states earlier this year, has been struck at EC\$20.4 (\$14.13) per 100kg or roughly one-fifteenth of the price the EC paid producers when the butter was originally purchased under its so-called "intervention" arrangements. The move follows the signing of a similar contract just under a year ago for an amount just short of 300,000 tonnes.

Butter sales to Moscow have always been politically sensitive, notably in the UK, but officials in Brussels point out that the

Soviet Union is the only leading butter market in the world at present. They argue that the EC\$20.4 disposal scheme - initially to be financed by member states but ultimately to be borne by the Community budget - will serve to take pressure off world prices and thereby reduce EC support costs through lower export subsidies.

The Commission appears well satisfied with the results of the sales and with the impact this year of the further cuts in milk quotas, which have reduced the previous flood of unwanted butter and skimmed milk powder into Community stocks to relatively speaking a mere trickle.

Figures released yesterday in Brussels showed that butter stocks in the Community have fallen from 1.34m tonnes at the beginning of 1987 to just over 700,000 tonnes after the Soviet sale.

EC team rejects bid to delay hormone beef ban

BY TIM DICKSON

EUROPEAN Community veterinary experts yesterday rejected a plan by Mr Frans Andriessen, the EC's Farm Commissioner, to delay the Community's controversial ban on beef produced with hormones.

Their decision could be overturned at next week's meeting of EC Farm Ministers but at the very least it represents a major embarrassment for the Commission.

The hormones prohibition, agreed in December 1985 but not due to come into effect until January 1 next year, is deeply worrying the US, which claims that more than \$130m of its meat exports will be prevented from entering the EC after this date.

The Americans have been lobbying furiously to get the Com-

munity to change its mind, but Washington now accepts that the only hope is a substantial delay in the ban.

Earlier this week the European Commission proposed that member states should apply so-called "transitional measures" which would mean an 18-month deferral of the ban on trade in hormone-treated meat (but no delay on the ban of actual use of hormones).

Apart from the diplomatic difficulty with the US, the plan has been justified on the grounds that there will be slaughtered meat within the Community after January 1 which has been produced with the so-called growth promoters.

The issue is to be discussed at next week's meeting of Agriculture Ministers.

Ariane launch halted

BY RAYMOND SNOODY

THE LAUNCH of Europe's first direct broadcasting satellite scheduled for next Tuesday has been postponed because of technical problems with the Ariane space launcher.

Arianespace, the company which sells launches on western Europe's Ariane rocket yesterday blamed a faulty circuit in the guidance system. A spare is available but tests are required. Arianespace said there would be a delay of several days but did not give a new launch date.

TV-SAT, the West German DBS satellite which will carry four new channels of television was due to be launched on Tuesday from Kourou, French Guiana.

Any serious delays would hamper the development of satellite television in Europe. The French DBS satellite TDF-1 is due to be launched next April and Astra the Luxembourg private sector satellite with 18 television channels is scheduled for launch on Ariane in July.

Soviet press rubs salt in Yeltsin's wounds

BY CATHERINE McELHINNEY IN MOSCOW

THE SOVIET press yesterday revealed in brutal detail how Boris Yeltsin was ousted from his position as head of the Moscow Communist Party at a meeting where 23 speakers, including Soviet leader Mikhail Gorbachev, launched attacks on his ability and personality.

The affair will inevitably cast doubt on the sincerity of Mr Gorbachev's reform programme. Following Mr Yeltsin's departure,

many will be wondering how deep the changes really are and how far it is safe to take them.

Readers of the Communist Party newspaper Pravda learnt that Mr Yeltsin was fired after a confrontation with the Soviet leader in which he told Mr Gorbachev reform was giving virtually nothing to the people.

More than two pages of the paper were devoted to a verbatim account of the Moscow party

meeting last Wednesday that denounced and fired Yeltsin. It was the first official explanation of what had happened at the plenary meeting of the central committee meeting three weeks ago earlier where Mr Yeltsin made his charge.

While it was rare for events inside the Communist Party apparatus to be published, observers noted that Mr Yeltsin's original complaints about the

state of the reform programme had never been printed, although rumours about them had circulated.

The attacks - and Mr Yeltsin's contrite apology - were bound to be interpreted as a warning to others deviating from the leadership's line on reforms.

Mr Gorbachev said Mr Yeltsin sacrificed the good of the party for personal ambition, and another speaker accused him of "excessive conceit and desire to be always on the front stage". But the dispute clearly centred on Mr Yeltsin's complaint at a closed plenum of the central committee on October 21 that the leadership was not pursuing reform fast enough.

The Soviet leader rejected Mr Yeltsin's claim and said not a single member of the plenum had agreed with his negative

assessment of the pace of reform.

Mr Yeltsin was even attacked by one speaker for sacking too many officials in the city, although purging of inefficient managers has been vigorously pursued by Mr Gorbachev.

Western observers believe Mr Gorbachev was forced to dismiss his one-time key supporter in order to pacify conservatives in the party.

Iran prepares for renewed land offensive

BY TONY WALKER, MIDDLE EAST STAFF

A GREEK-FLAGGED tanker was yesterday set ablaze in the Gulf as Iran appeared to be preparing for a new land offensive against Iraq amid worrying signs of a resurgence of the conflict.

Iraq wasted little time resuming air strikes against Iranian shipping, after an emergency Arab summit in Amman this week condemned Iran over its failure to agree to a United

Nations-sponsored cease-fire. Western intelligence reports and statements by Iran indicate that it may be gearing up for another assault against Iraq's beleaguered southern city of Basra, which was the target early this year of a massive Iranian onslaught.

Iraq yesterday claimed its tenth attack since Tuesday on shipping in the Gulf, and the fifth in 24 hours. The Iraqi offensive will have

increased nervousness among states, notably Kuwait, on the Arab side of the Gulf. Iran has warned repeatedly that it will hit back at Iraq's Arab allies in retaliation for strikes against shipping servicing its ports.

Kuwait is within range of Iranian Silkworm missile batteries on occupied Iraqi territory at the northern end of the Gulf. Iran last month fired a missile into

Kuwait's main offshore oil loading terminal, putting it out of action.

The Greek-flagged tanker, the 268,078-tonne Fortuna, was hit three times by Iraqi-fired missiles in two separate attacks.

Iran's Supreme War Council, in a ten-point message to Iranians, called for volunteers to register immediately for duty at the front. This follows indications over the past several weeks that Iran is mobilising its

forces east of Basra.

Western observers note that conditions at the front are ripe for a winter offensive. The intense heat of summer has given way to milder conditions favourable for Iran for its big offensives.

A fresh Iranian offensive, or even the threat of one, would partly be designed to send a chilling message to Arab states who denounced Iraq at the recent emergency Amman summit.

John Wyles profiles the Italian President on the eve of his visit to Britain

Cossiga, man with taste for English values

FRANCESCO Cossiga, the Italian president whom the British will see next week immersed in the pomp and ceremony of a state visit, is in some ways one of the most elusive representatives of an elusive people.

Despite his outgoing personality, this slightly-stooped, white-haired figure who seems to carry more than his 59 years, is still something of a stranger to his fellow Italians.

He is universally regarded as a nice man, a devoutly Catholic, upright Christian Democrat. But the personality of a man who was once a passionate radio host (call sign Andy Capp) rarely shines out from the stiff formal occasions which encumber the life of a head of state.

His public image is misleadingly melancholic, he actually smiles a lot, and his private life is totally closed. He has not moved into the sumptuous palace which was once home to the Popes and then Italian monarchs, the Quirinale, preferring to remain in the Roman suburb of Prati with a wife who takes no part in public life at all.

Perplexed Italian journalists have often tried to characterise his style and virtues as "English", implying not just honesty and probity, but also a certain coolness under fire. He thinks the comparison "flattering but excessive". The anomalous fact is that, as a Sardinian, an island background may have bred in him certain characteristics in

common with the British.

"But perhaps it also comes from my rather well-known passion for British constitutional history to which I frequently refer," he ventured in an interview this week. Having been a precocious Professor of Constitutional Law at Sardinia's University of Sassari by the age of 25, his intellectual and emotional commitment to truth and liberty has been a crucial driving force.

Looking ahead to the state visit, he was sure that the most moving moment would be the address he is to give to a joint session of the Houses of Par-

liament on Wednesday. As "the oldest liberal parliament in the world", Westminster has a particular significance for a man steeped in the values which it represents, who is president of a country where these have not always been greatly prized.

His white hair and premature age date from three of the years when democratic values were most under threat in Italy. His friend and political mentor, Aldo Moro, appointed him to the Ministry of Interior in 1976 when the country was reeling from repeated terrorist blows.

When Mr Moro was kidnapped in 1978 and murdered 55 days later, Mr Cossiga did something no Italian politician had done before: he took personal responsibility and resigned.

His face still clouds at the memory of those years. "They were a very painful reality and I was forced to take tremendous responsibility which had a great impact on my spiritual and personal life."

Under pressure to explain, his answer avoids self-reflection: "It made me understand the importance of the rules guaranteeing liberty and social peace; how these must be defended at minimum cost to civil rights."

Resignation did not cost him his career, as some Italian thought it might, for within a year he found himself the youngest Italian post-war prime minister, a distinction now owed to the present incumbent, Mr Gio-

anni Goria.

Mr Cossiga was toppled after little more than a year, partly because of a series of attacks launched by the late and formidable Communist party leader, Mr Enrico Berlinguer, not just a Sanziano to register immediately for duty at the front. This follows indications over the past several weeks that Iran is mobilising its

because the president must mediate between the parties and help to recompose governments which crumble all too frequently.

Is the job as solitary, sometimes boring and politically hazardous as it appears from the outside? "All of those things," he says, quite firmly, adding that the respect he finds most difficult "is to maintain a balance between my own beliefs and the duty to be objective."

He still retains his love of electronic gadgetry, although the radio transmitter went when he became Minister of the Interior. He has encouraged the installation of new information systems in the Quirinale, including one which seems to give him particular pleasure. "It is silly, I know," he said, "remotely controlling his television to reveal that he is a subscriber to CNN, the US television news network."

A president who tunes into American television news is yet another surprising ingredient in Italy's rapid process of change. By contrast, the Italian cases and tapestries lining the walls of one of the most beautiful offices in Europe testify to a certain continuity.

Which of the old Italian traditions would he most like to see fade away? "The habit of looking back without hesitation: 'Expecting the government to do everything.'"

Western diplomats are described here as entirely predictable from a forum which included such radical Arab states as Syria and Libya.

Western diplomats were quickly pleased by the unequivocal support given by all the Arab League member states to the international peace conference proposals. As one noted, a decade ago such unanimity, for face-to-face talks with Israel would not have been possible.

Brazil to face US sanctions

BY NANCY DUNNE IN WASHINGTON

THE Reagan Administration announced yesterday that it would retaliate with tariffs against \$105m-worth of Brazilian products after two years of prodding Brazil to open its markets to US computers.

The sanctions are in response to Brazil's decision to refuse Microsoft, an American software company, a licence for its micro-computer software. The White House said the decision establishes precedent which effectively bans all US companies from the Brazilian software market.

This is the first US action against closed Brazilian markets, and it could be followed by larger retaliation if no real progress is made toward resolution of the wider technology dispute.

The White House is moving slowly to allow for a possible change of policy in Brazil. The specific retaliatory measures are still to be announced, except for a ban on some Brazilian software, the value of which is still to be determined.

Brazilian software exports to the US last year were worth more than \$21m.

The Administration next week will publish a list of targets for retaliation. Hearings will be held in mid-December to determine which sanctions would cause least difficulty to American consumers.

Products on the list may include footwear, textiles, coffee, orange juice, fruits and nuts, petroleum products, car parts and aircraft. The US also may restrict the trade benefits it grants to some Brazilian products under its Generalised System of Preferences.

The two countries came to an agreement last June which US officials thought would ensure against a ban on US software, without consultations or approval by the Brazilian Congress. Later, there were hopes that the Brazilian Congress would act on a bill to open its markets to American-designed computer programmes.

The UK government is showing a more hard-nosed attitude towards defence collaboration and is pressing for clearer contractual definition of a new European anti-tank gun, as well as of a planned Nato frigate, before joining allies in committing funds to developing these projects.

The new UK attitude, which to some extent mirrors British policy towards European space co-operation, stems from tacit agreement between the Treasury and the Defence Ministry, to weigh more closely the costs and benefits of defence collaboration and press contractors harder on terms.

Thus, in contrast with this week's decision by France and West Germany to press on with their attack-helicopter project, the UK is resuming joining a formal agreement giving the third generation anti-tank gun (known as Trigat).

The UK hesitation is tactical, designed to get better contractual terms out of Trigat's developers, the Euro-missile Dynamics Group made up of MBB of West Germany, Aerospatiale of France, and British Aerospace.

Likewise, Britain refused last

UK takes tough line on defence collaboration

BY DAVID BUCHAN

Socialist welcome for Orthodoxy

AFTER A wait of nearly a quarter of a century, Greece woke up yesterday to the autumn of the Patriarch, writes Andriana Kerdolopoulos in Athens.

Thousands of the faithful lined the streets and the patriarch and church officials stood in serried welcome, as the Archbishop of Constantinople-New Rome and Ecumenical Patriarch Demetrios, spiritual leader of the Greek Orthodox, began a glittering five-day official visit, his first to the Greek capital.

Socialist government officials, led by Mr Andreas Papandreu, assembled to welcome in Byzantine splendour the Ecumenical Patriarch, must have felt as though an time warp had entangled them in a century closer to the 15th than the 21st.

The Government passed a Bill earlier this year which if applied would have imposed state control over church-owned lands and national real estate.

Patriarch Demetrios discouraged the Greek church from carrying out threats to renounce its autonomy and join the Constantinople patriarchate - a move which would have embroiled the Ecumenical Patriarch directly in the confrontation with the Athens Socialists.

The conflict was defused ten days ago by a sacred compromise agreement. If the honour afforded yesterday to Patriarch Demetrios was any indication in the clash between Byzantium and Socialism, the former has definitely carried the day.

US retail sales fall 0.1% in October

BY STEWART FLEMING, US EDITOR, IN WASHINGTON

FURTHER evidence that the stock market crash last month did not trigger an immediate drop in consumer spending surfaced yesterday when the Commerce Department reported that retail sales, buoyed by purchases of non-durable goods, fell only 0.1 per cent last month.

The decline in retail sales was entirely due to a second month of plunging car sales. They fell 3.1 per cent. In September car sales fell 3.7 per cent accounting

for the revised 1.1 per cent decline in retail sales during that month.

Many economists believe it is still too early to assess the impact on consumer confidence from the stock market crash. The weakness in car sales is seen as a worrying sign, however, and there is some evidence that US car producers are preparing to reduce their production schedules in case the weakness continues.

Minister firm in Statoil row

By Karen Fosell in Oslo

NORWAY'S oil minister, Mr Arne Oelen, has said he will refuse to bow to any majority call in the Storting (Norwegian Parliament) for resignations from Statoil, the state-owned oil company.

This follows findings from a Norwegian government report that cost overruns for a refinery expansion project operated by Statoil have amounted to nearly Nkr50m, and that the project cannot ever guarantee profitability even after write-off and depreciation costs.

Revelations of the horrendous budget over-shoot prompted politicians to call for the resignation of Mr Arne Oelen, the company's vice-president, and the board of directors.

Nato warned on N-arms

BY WILLIAM DAWKINS IN BRUSSELS

GENERAL Wolfgang Altenburg, chairman of Nato's military committee, yesterday warned that the alliance could not afford to negotiate for the removal of battlefield nuclear weapons.

"We have to maintain a nuclear posture as a political tool to be used to deter, right from the beginning," he told a meeting at the Centre for European Policy Studies in Brussels.

Gen Altenburg emphasised that Nato would be dangerously exposed to the Soviet Union's overwhelming superiority in conventional forces if it was persuaded to accept a so-called "third zero" option - the abandonment of short range (up to 500km) and battlefield nuclear weapons.

His worries echo the feeling of many Nato members, including Britain and the US, that the impending sword on intermediate nuclear forces should not be followed by abandonment of short-range and battlefield nuclear weapons.

"We should make sure that negotiations over the number of weapons below 500km range should be contingent on possibilities regarding (reductions in) conventional disparities. Otherwise we could lose our leverage," said Gen Altenburg. "The Soviets can afford to say zero, but I don't think we can," he added.

Gen Altenburg warned that any balancing in conventional forces would be "the most difficult negotiation we are facing."

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OVERSEAS NEWS

Rioters will be shot on sight, says Ershad

BY SAYED KAMALUDDIN IN DHAKA

PRESIDENT Hussain Mohammad Ershad of Bangladesh yesterday announced that rioters would be shot on sight, after three days' violent agitation which left three dead and hundreds wounded.

He also offered an olive branch to the opposition, saying he was "always available for a dialogue" to end the political crisis.

Law-enforcing agencies have been ordered to shoot at sight anybody found indulging in arson, looting and rampage. The order followed the killing of an armed policeman on Thursday in a bomb-throwing incident during a mob rampage. The maximum punishment for such activities is death.

The anti-government agitation, spearheaded by three leading opposition alliances and the right-wing orthodox Jamaat-e-Islami, demands President Ershad's resignation, the handing over of power to a neutral government and the holding of "free and fair" general elections.

The agitation gained momentum early in November when leaders of two of the opposition met to declare an identical programme. Mob violence increased after the two leaders were put under house arrest on Wednesday.

President Ershad, who came to power in March 1982 through a

bloodless coup, held parliamentary elections in May and a presidential poll in October, having lifted martial law in November last year. While the eight-party alliance and Jamaat-e-Islami took part in the parliamentary polls, the other alliances boycotted it. The participating opposition parties subsequently accused President Ershad of "rigging the polls" in his favour.

President Ershad said yesterday that his administration would take tough measures to "restore normalcy" and added that the situation was "under control". He could contain the situation in three days, he added, justifying the arrests of the two top opposition leaders by saying they were indulging in "illegal activities".

On the question of dialogue with the opposition, he said his door was "open all the time". So long as he remained president, there could be no military coup.

"If you (the opposition) question the credibility of the polls, why don't you agree to go for a mid-term poll?" he asked. He was prepared to discuss the question of peaceful transfer of power and its modalities with the opposition, he declared. The opposition alliances have called for a 6am-2pm general strike today and tomorrow.

C & W consortium to get Japanese licence

BY STEFAN WAGSTYL

MR MASAAKI NAKAYAMA, Japan's new Minister of Posts and Telecommunications, confirmed yesterday that the group in which Britain's Cable and Wireless is a leading partner would be granted a licence to operate an international telecommunications business in Japan.

Formal approval is expected to come from the ministry's Telecommunications Council within this month.

This will bring to an end a campaign lasting nearly two years by C & W to win a significant position in the liberalisation of Japan's telecoms sector. The company wanted to use Japan as a major terminal in its proposed Global Digital Highway telecom network.

Last spring, the company secured the support of Mr Margaret Thatcher, the British Prime Minister, when it appeared that

the Japanese authorities were trying to minimise the role that it and other foreign companies could play, notably by trying to bring about a merger of the two consortiums applying for a licence.

The Japanese Government, under pressure from the US as well, gradually changed its stance, and eventually in September invited both consortiums to apply. This is normally an indication that both would be given licences.

Mr Nakayama told a meeting of the Cabinet of Mr Noboru Takeshita yesterday that licences would be given to both consortiums that have applied for them. The two are International Digital Communications, led by C & W and the Japanese trading giant Daiwa, and International Telecom Japan, led by Matsui and Mitsubishi.

Japanese anti-trust body raids sealant makers

BY STEFAN WAGSTYL IN TOKYO

JAPAN'S Fair Trade Commission this week raided 38 offices of household sealant manufacturers and their trade association in pursuit of an anti-trust investigation.

The Commission, a government body which works closely with the Ministry of International Trade and Industry, is probing claims that 15 manufacturers formed an illegal cartel to drive up prices. The material under investigation is a silicon sealant, used extensively in the building industry in fitting windows.

Since mid-summer the Commission has been studying increases in prices of building materials for possible violations of Anti-Monopoly Laws. The Government is concerned about companies taking unfair advantage of a surge in construction, stimulated by expansionary government policies.

Miti is also giving a high priority to anti-trust investigations as part of a three-year action programme, launched in 1985, for

opening Japanese markets to foreign companies.

The starting point for the current investigation was a 10-20 per cent increase in the wholesale and retail prices of sealants in April. The Fair Trade Commission says prices rose despite the absence of any visible material price increases.

The commission suspects at least 15 manufacturers at the price of silicon sealant by more than ¥100 (42p), from ¥900, per one 385 millilitre cartridge. The 15 companies account for 90 per cent of the sealant market, with one of them, Shin-Etsu Chemical, having a 45 per cent share. The market for silicon sealants is worth in the region of ¥2bn to ¥3bn a year.

Construction industry observers say the commission could soon launch other anti-trust actions against building materials manufacturers. They say informal arrangements between suppliers are not uncommon in construction because distribution networks are often inflexible.

Ethnic violence claims 125 lives in one week

ETHNIC VIOLENCE throughout Sri Lanka killed more than 125 people this week as parliament passed legislation granting limited autonomy to the Tamil minority on Thursday after a scorching three-day debate. Renter reports from Colombo.

A military spokesman said 25 people, all Tamils, were killed on Thursday night when Tamil militants set off a landmine under their bus at Cheddikulam in the north-western district of Mannar. He said Liberation Tigers of Tamil Eelam guerrillas, who have repudiated the pact, were responsible for the blast.

Angry Sinhalese hardliners cut down trees and set up road blocks in south Sri Lanka on Friday in protest against the legislation.

The outlawed People's Liberation Front (VVP), banned in 1983 for suspected involvement in anti-Tamil riots, was blamed by the Government for this week's violent protests against the laws

to set up semi-autonomous provincial councils.

Pace said the JVP is attempting to hoister their arsenal by taking weapons from the military and police and from private citizens.

The laws would implement part of an accord signed by President Junius Jayewardene and Indian Prime Minister Rajiv Gandhi in July to end a four-year Tamil rebellion.

In Colombo, a car bomb killed 32 people on Monday and university students protested shouting anti-government slogans and burning an effigy of Jayewardene.

The agriculture and food minister resigned saying that he was against a proposal to set up a single provincial council for the Tamil-dominated north and the ethnically mixed east. The ruling United National Party, which has an overwhelming majority in the 168-member parliament, was able to pass the laws with the required two-thirds majority.

Darshan weaves her way to a dowry

By John Elliott, recently in Panipat

DARSHAN, a slim 18-year-old village girl of India's proud Rajput caste, squatted on top of a small horizontal wooden loom in her family's low thatched stone house, weaving a cotton dhurrie carpet of light browns and greens that one day will probably decorate a home in London, Paris or New York.

The dhurrie will earn her about Rs45 (\$2) and will help to finance her dowry and other wedding expenses, including gold jewellery and gifts. Her mother, Barbak, expects the marriage to cost a total of Rs80,000-Rs40,000 (£1,500-\$2,000) if they are to keep their gold and silver.

On the question of dialogue with the opposition, he said his door was "open all the time". So long as he remained president, there could be no military coup.

Darshan and Raja are two of about 300 people in and around Panipat producing the dhurrie style of flat woven cotton and wool carpets, usually with pastel shades, for Habitat, part of Mr Terence Conran's UK Storehouse retail group which has been the target of recent takeover bids.

It is a long way from the world of British property developers such as Benlox, the latest Storehouse bidder, to Darshan's small courtyard home in Begina village, Haryana, with its bullocks, cows and dried cotton from the local fields drying in the sun - and to Raja Ram's monthly bank draft for his brother, wife and son on the two acres in Panipat.

But via a New Delhi exporter, Fabindia, local handloom crafts have been revived and traditional skills used to bring a little increased wealth to villages which otherwise have only their local agriculture of sugar, wheat, rice and cotton - this year hit by a drought - to sustain them.

If a takeover of Storehouse by a foreign company, such as Habitat, imports, the villages could be specially hard hit, although small workshops in the towns might find other orders.

Some 20 years ago, Mr John Rissell, an American who runs Fabindia, and is married to an Indian professional woman, hit on the idea of exporting dhurries which poor Indians traditionally use as thin mattresses on their charpoy wood and string beds.

He started to develop traditional skills in Panipat with the local Kebra carpet-making family whose Bharat Carpet Manufacturers now supply about half Fabindia's dhurries.

"We produce our own designs and see what Habitat like," says Mr Madhu Kar Khara, who runs the business. "Five years ago, they didn't like this, then they picked it up last year and we are doing it in several colours," he says, pointing to a geometrical light-blue design.

Fabindia, which has a retail shop in Delhi, now has a turnover of Rs25m, including Rs16.5m to Habitat, 80 per cent of which is dhurries. Panipat's weaving business has mushroomed with over 200 manufacturers of dhurries, carpets and blankets, using some 10,000 hand looms.

All this forms part of north India's annual total of about Rs 1.7bn hand-made carpet exports, produced by some 450,000 people, and dominated by hand-knotted woolen carpets, in addition to the woven cotton, wool, and even a few silk dhurries.

The industry is organised with a complex network of employment, a lot of it part-time, which includes cotton and spinning, women spinning wool and filling bobbins in their homes for a few rupees, weavers employed on a variety of types of looms, and finishing jobs such as clipping loose ends and tying tassels.

Conditions vary widely, with children being employed on some knotted carpet looms sunk into pits in darkened huts, in areas such as Mirzapur near the holy city of Varanasi. The nimbleness of the children's fingers boosts productivity. But the Habitat dhurrie makers use no organised child labour, although some children help with jobs such as cutting and spinning.

The 6ft by 3ft 6in dhurrie Darshan made for her Rs45 in three or four days will be sold by the contractor, who organises the village and supplies materials, to Fabindia for about Rs160. In the UK, it will later sell for around £25-£30, near the bottom of a range that goes up to a few hundred pounds.

She was producing a local design of diamonds and stripes developed by Satya Sharma, the local contractor who started organising the nearby villagers' talents 10 years ago.

But when she marries, Darshan's proud Rajput husband may stop her work. "Between leaving school and getting married, they make the carpets because the Rajputs don't like unmarried girls going out into the fields," explains Mr Sharma. "But when they become married women, they have to stay fully indoors. So, often then, they can't even do the carpets."

UK NEWS

Conservation areas plan likely to be dropped

BY PAUL CHEESBROUGH, PROPERTY CORRESPONDENT

THE GOVERNMENT is likely to drop its plan to set up rural conservation areas. The proposal was part of a package aimed at simplifying the town and country planning system.

This emerged yesterday when Mrs Marion Roe, parliamentary under-secretary of state at the Environment Department, spoke to the County Planning Officers Society in London.

She was speaking about government plans, set out in a green paper in September last year, to reform the way in which development plans are drawn up at regional, county and district level.

Mrs Roe acknowledged that the Government would have to reconsider the idea of rural conservation areas, following its examination of about 400 responses to the consultation paper on general and specific points in the reform plans.

The conservation areas were intended to replace the variety of locally designated areas which indicate that development controls would be applied more strictly than normal.

But the proposal excited widespread opposition. While there was general support from the counties, Mrs Roe said, others

were sceptical.

"Some were downright suspicious of the department's motives, seeing this as another opportunity for central intervention and control. The countryside protection bodies and groups were not very impressed with the notion and the development interests were noticeably hostile," Mrs Roe said.

Apart from the rural conservation areas, the main thrust of the Government's plans is effectively to remove the county tier from the planning process. County structure plans, which settle the patterns of land use, would be replaced by a simple policy statement.

This policy statement would fit into an overall regional strategy laid down broadly by central government while detailed planning criteria, reflecting the county policy statement, would be worked out at district level.

County planning officers, seeing their role in the system reduced as planning power goes up to central government and downward to the districts, have been hostile to the suggestion.

However, Mrs Roe gave no ground on the broad lines of the Government's proposals.

Bank collapse report issued

BY EDWARD OWEN

THE SEQUENCE of events behind one of Guernsey's most embarrassing financial failures - the collapse nearly nine years ago of the fringe bank Barnett Christie (Finance) - is disclosed in a 170-page report published yesterday. The report is by an independent committee of inquiry appointed by the island authorities.

The inspectors, Mr Christopher Clarke QC and accountant Mr Andrew Burnett, conclude that with hindsight Guernsey's finance committee was wrong to grant licences to Barnett Christie (Finance) and its Alderney associate company when the island introduced legislation to protect depositors in 1972.

The decision, it is revealed, was taken against the advice of the official responsible for monitoring applications, Mr Frederick Vesale. However, the inspectors concede that the finance committee was "in great difficulty" because the Barnett Christie companies were existing businesses whose depositors had to be safeguarded.

In the event, the report says, the proportion of the Guernsey company's assets lent to its Alderney and English associates "remained excessive and in the end fatal".

Barnett Christie (Finance) finally went into liquidation in 1978 owing \$1.46m to depositors, who have since received 32p in the pound from the liquidators. The English parent company was compulsorily wound up in 1979.

The report shows that Guernsey's finance committee was influenced by the fact that a Section 123 certificate, then required for licensed deposit-taking, had been granted to Barnett Christie's associate company in the UK.

The desire of the UK authorities not to cause a run on the funds of the English company is also shown to have been a factor in the Guernsey finance committee's controversial decision not to make known publicly that it had revoked Barnett Christie's deposit-taking licence in 1976.

This led to a successful action

for damages by one depositor and out-of-court settlements with many others, at a cost to Guernsey's Government of more than \$500,000. The finance committee was found to have been in breach of its statutory duty.

The inspectors say after studying all the evidence: "It is apparent to us that this situation arose as a result of a well-intentioned but erroneous judgment that such non-publication would benefit depositors."

Two directors of Barnett Christie (Finance) were subsequently convicted in Guernsey of continuing to take deposits after the company's licence had been revoked.

The inspectors point out that the Guernsey authorities lost control over Barnett Christie after revoking its licence and recommend that the island's Financial Services Commission, which starts operations next year, should have powers similar to the Bank of England to supervise an institution as long as it has any liability to depositors.

Company pension schemes backed

BY ERIC SHORT, PENSIONS CORRESPONDENT

CHIEF EXECUTIVES of big British companies are overwhelmingly committed to keeping their company pension schemes in the face of the competition next year from personal pensions, according to a survey by MORI for the National Association of Pension Funds.

The survey investigated the

attitudes of 105 main board directors, of whom 33 per cent were the chairman or chief executive of leading companies, to the challenge to company pension schemes.

From April employees will be able to opt out of company schemes and from July they will be able to take out a personal

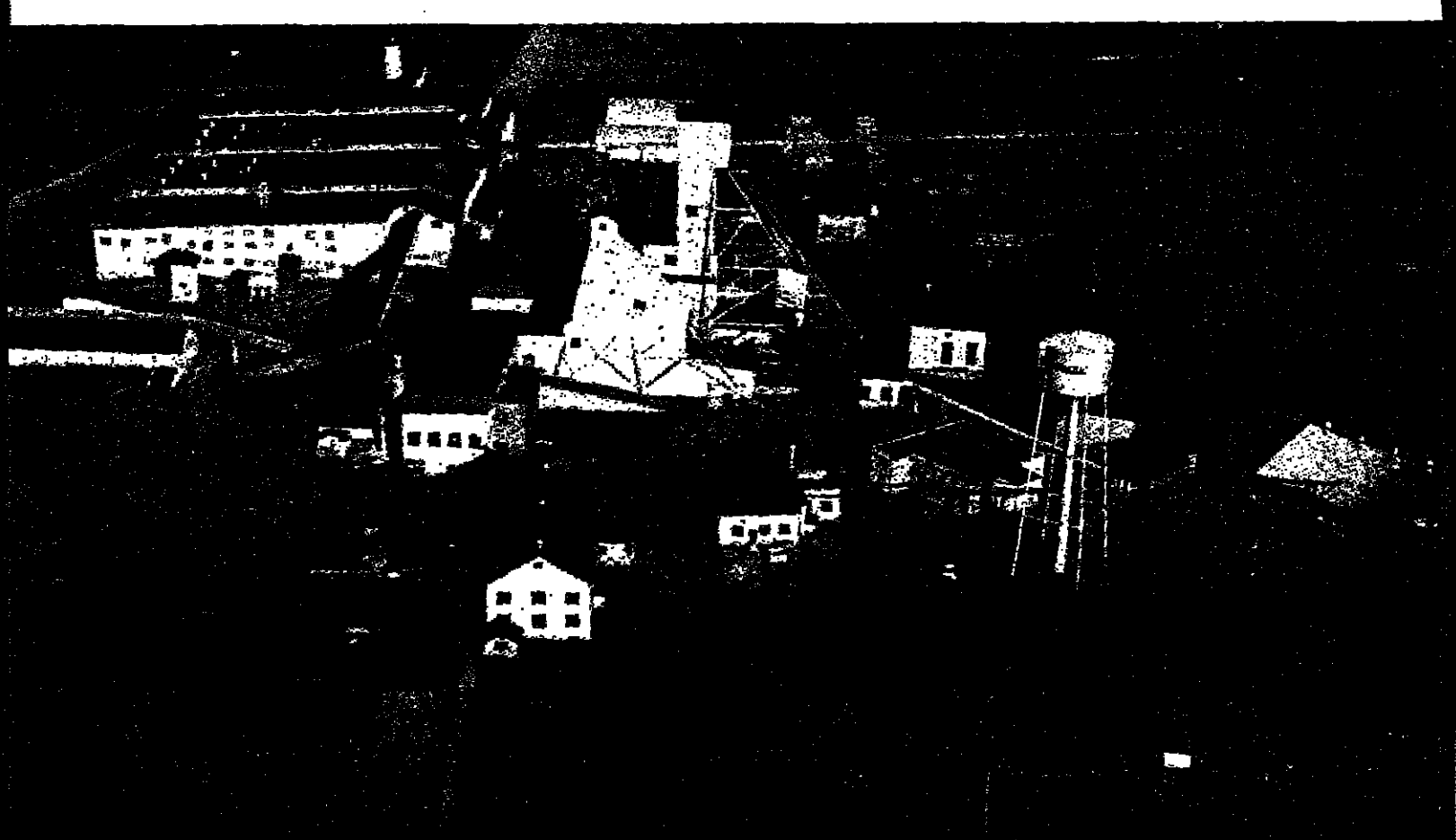
pension. Almost nine out of 10 employers interviewed felt the pension scheme was an important part of the company's industrial relations and contributed to its image.

About two thirds of chief executives felt that most of their employees would not benefit by having a personal pension.

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T13789	956.0	959.0	3.5	3.14	1.0
T13803	100.5	103.8	3.3	.82	.70
	271.6	273.0	1.4	.21	.21
T13849	360	366.5	6.5	.96	.48

Underground diamond drill holes drilled from the 3200 ft. level:

Hole No.	From	To	Width (ft.)	Uncut	Cut*
T13786	707.0	710.0	3.0	.46	.46
T13804	220.0	234.5	14.5	.19	.19
	353.0	379.5	26.5	.26	.26
	425.5	440.0	14.5	.28	.28
T13806	17.8	24.4	6.6	5.78	.72
T13848	40.0	48.0	8.0	.18	.18

Underground diamond drill holes drilled from the 3400 ft. level:

Hole No.	From	To	Width (ft.)	Uncut	Cut*
T13784	956.5	958.5	2.0	.85	.85
	1558.5	1560.3	1.8	.74	.74
T13785	1394.5	1396.5	2.0	.61	.61
T13788	873.0	874.5	1.5	3.43	1.0
T13812	65.5	93.4	27.9	.89	.63

Underground diamond drill holes with intersections either near or in the No. 5 Flng:

Hole No.	From	To	Width (ft.)	Uncut	Cut*
T13780	1828.5	1843.5	15.0	.48	.48
T13798	806.5	811.5	5.0	.879	.879
	586.8	590.4	3.6	2.35	1.0
T13803	872.5	877.5	5.0	.35	.35
	893.8	956.7	62.9	.41	.29

Surface holes drilled within the No. 5 Flng:

Hole No.	From	To	Width (ft.)	Uncut	Cut*
T-86-9	265.8	266.8	1.0	.379	.379
T-86-5	394.0	395.0	1.0	.770	.770
	569.5	571.0	1.5	.535	.535
	693.5	696.0	2.5	.20	.20
	760.5	761.5	1.0	.354	.354
T-86-6	307.5	317.5	10.0	.289	.289
	446.0	448.0	2.0	.418	.418
T-86-9	465.3	471.5	6.2	.309	.309
	947.8	960.8	13.0	.31	.31
	1593.5	1595.6	2.1	.683	.683

* All assays are cut to 1 oz.

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UK NEWS

DPP asks police for new Zeebrugge investigation

BY HAZEL DUFFY

KENT police were asked yesterday by the Director of Public Prosecutions to start a new investigation into the Zeebrugge ferry disaster.

The move opens up the way for the DPP to bring charges of manslaughter against individuals or possibly Townsend Car Ferries, owners of the Herald of Free Enterprise at the time of the disaster.

The decision by Mr Allan Green, the DPP, was taken in the light of the report of the coroner following the inquiry into the deaths of 189 passengers and crew on the ship. The jury at the inquest brought in verdicts of unlawful killing.

The DPP can also take other information into account in helping him to decide whether to order an investigation. Sir David Napley, the solicitor representing two of the victims of the disaster, had submitted a document, setting out the facts which he

believed made clear the case for prosecution.

Sir David said yesterday that he was "encouraged" by the DPP's decision, but added that "one should not read too much into it".

The Chief Constable of Kent, Mr Frank Jordan, is expected to announce his investigating team shortly, probably early next week. It will be the second investigation by Kent police into the Zeebrugge affair. The first was to provide evidence to the coroner's court. However, it was not aimed at securing evidence on which a criminal charge might be brought.

The police file will then be submitted to the DPP, who will decide whether to go ahead on the basis of whether or not there are reasonable grounds, and also whether it would be in the public interest to bring criminal charges.

Sir David said yesterday that

he had "not the slightest doubt that the company could be prosecuted" and that if sufficient evidence could be presented, that conviction could be secured.

Peninsular and Oriental Steam Navigation, which owns Townsend Car Ferries, did not comment on the move by the DPP. However, Sir Jeffrey Sterling, chairman, has said that he did not believe the company would be prosecuted. Nor did he want the three men directly involved in the disaster - Captain David Lewis, Mr Leslie Sabel and Mr Marc Stanley - to go through more.

Relatives of the victims welcomed the DPP's move. Ms Sue Haney, speaking for the Herald Families' Association, said: "We are still fighting for the company to be charged with corporate manslaughter. This is a small victory but it is by no means the end of the story."

EC probes Vitafoam over trade practices

By Nick Garnett and Will Dawkins

VITAFOAM, a subsidiary of British Vita, is being investigated by the EC Commission following a complaint to Brussels about alleged trading practices within the UK market for polystyrene foam.

The commission would not confirm this yesterday. Nor would it comment on the type of complaint that has been made against the British company.

However, it is thought that Vitafoam is being scrutinised under the Treaty of Rome's Article 85.

This outlines almost anything which is believed to distort competition. It specifically includes price fixing agreements, controlling of markets and sharing supply sources.

British Vita, which is based in Manchester, is one of the UK's largest companies involved in polymer processing. It said it and several other British producers of polystyrene foam, which is widely used in packaging, had been visited by commission investigators during the week.

The company understood that the commission had not been specific. Investigators had examined a number of files. "We have been totally open and helpful with them, as is our normal way," the company said yesterday.

The British Rubber Manufacturers Association said total UK production of polystyrene last year was worth between £150m and £160m.

Polyurethane foam is not a product that enjoys much international trade, partly because of its large bulk in relation to weight. Almost all polyurethane used in the UK is home-produced.

Skillcentres may go as Fowler orders training network review

BY DAVID BRINDLE

THE FUTURE of the 60 government-run Skillcentres was in doubt last night after Mr Norman Fowler, Employment Secretary, announced a review of the training network.

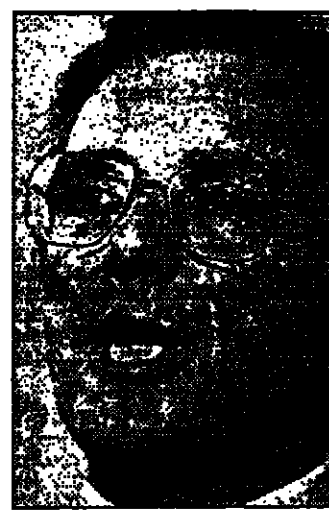
The minister's announcement was accompanied by a statement suggesting strongly that, in his view, the role of the Skillcentres had to a large extent been supplanted by other training agencies.

Skillcentres provide training mainly in craft and manual skills. The network has been planned by about a third by the Government, the remaining 60 centres and a mobile training service being grouped since 1983 under the Skills Training Agency.

The review announced yesterday will cover the whole agency, will be conducted by a civil servant and an outside management consultant and will be completed by the end of January.

Fowler said he wanted a speedy report because of the impact of continuing uncertainty about the future of the agency. Recommendations would be considered by the Manpower Services Commission in February with a view to any action being taken early in the 1988-89 financial year.

The announcement of the review follows criticism of adult



Norman Fowler wants a speedy report

skills training in recent reports by the National Audit Office and the Commons Public Accounts Committee.

The audit office report found that Skillcentre training was generally more expensive than that provided by colleges of further education. But it said the cost gap was narrowing and the differential could be attributed partly to a greater emphasis on practical skills.

The agency has a supplier/customer relationship with the MSC, which provided more than 80 per cent of the agency's £75m income in 1986-87. Mr Fowler's statement yesterday said the Skillcentres had their origin in providing training for servicemen returning from the Second World War.

Mr Tony Gallagher, assistant secretary of the Civil Service Union, representing many of the agency's 3,000 employees, said last night the private sector would be incapable of providing the capital-intensive training required to counter skill shortages.

Girobank mortgage rate cut to under 10%

By Richard Watson

GIROBANK, the wholly-owned subsidiary of the Post Office, is to reduce its mortgage rate to 9 per cent from November 23 for new and existing borrowers with mortgages of over £50,000.

This undercuts everyone else in the latest round of rate reductions and breaks the psychologically important 10 per cent barrier. It will charge 10.2 per cent on mortgages of less than £50,000.

Two more banks lowered their mortgage rates yesterday. Midland said it would reduce its rate by 1 percentage point to 10.5 per cent for all borrowers from December 1. The Trustee Savings Bank announced that the rate on its endowment mortgages would fall to 10.3 per cent, while its repayment mortgage rate would be 10.8 per cent. These reductions take place immediately for new borrowers and from December 1 for existing borrowers.

National Westminster Bank and Halifax Building Society have already announced reductions in their mortgage rates to 10.25 per cent, and Barclays has opted for 10.3 per cent.

Other large building societies are waiting to see where interest rates settle before deciding on what rate to charge. Abbey National has said it will reduce its rate, while Woolwich said it was likely to do the same.

Girobank's move reflects its failure to gain a strong foothold in the mortgage market, which it entered a year ago.

Britoil and Burmah chiefs to go

By Lucy Kellaway

SIR PHILIP SHELBOURNE, founding chairman of Britoil, the largest UK independent oil company, is to retire next April, the company said yesterday.

Burmah Oil, in a separate announcement, said Mr John Maltby could step down as chief executive next July aged 60, although he will retain his position as chairman. His replacement will be Mr Lawrence Urquhart, group managing director.

Sir Philip, 63, is a director of IBM and of Rolls-Royce, deputy chairman of the Takeover Panel and a member of the Securities and Investment Board.

He joined BNOC, Britoil's state-owned forerunner, in 1980 and oversaw its transition to the private sector two years later.

He was chairman and chief executive until 1986 when Mr David Walker joined the company and took responsibility its day-to-day running.

Britoil yesterday said a new non-executive chairman would be appointed in due course.

Manufacturing output continues strong rise

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

BRITAIN'S manufacturing output continued to rise strongly in the three months to September, taking its growth since the same period last year to 6 per cent.

Official figures released yesterday by the Central Statistical Office show that output in the third quarter was 2 per cent higher than in the previous three months. Allowing for what appears to have been an unusually sharp rise in output during the summer holiday period, CSO statisticians believe that the underlying growth rate is running at an annual 5 per cent to 5½ per cent.

In September alone, production was slightly lower than in August, a factor which prompted some unease in the City yesterday. But figures covering a single month rarely provide any real clues to changes in the trend, and the CSO appeared confident yesterday that the fall represented nothing more than an erratic monthly movement.

Manufacturing output is now slightly above the levels of the last peak, seen before the Government took office in 1979, and is still 3½ per cent below the levels of 1974.

Among the sectors which have seen their production rise particularly strongly over the last year are motor vehicles and parts, fall.

metals, and paper and printing. The output of the man-made fibre industry is still falling, while growth in the food, drink and tobacco industry is well below the average.

There are also signs that Britain's overall industrial output is now rising consistently depressed by a gradual fall in North Sea oil production and by deep cutbacks in the coal industry.

The output of the energy sector in the latest three months was 3½ per cent lower than a year earlier. That brought the growth rate of total industrial production down to 3 per cent over the same period.

In spite of the recent stock market crash, the Government is confident that manufacturing output will continue to rise strongly through 1988.

However, several factors point to some slowing in the pace of growth. The Bank of England said earlier this week that Britain's industrial competitiveness had worsened by 7 per cent over the last year, largely as a result of a stronger pound. The squeeze this puts on manufacturing industry's exports is likely to be exacerbated by a deceleration in the growth of world trade in the wake of the stock market crash.

Yorkshire link from A1 to M1 proposed

PLANS for a £75m link road between the M1 and A1 in Yorkshire were announced by Mr Paul Channon, the Transport Secretary, yesterday.

The proposed road is expected to be ready in the mid-1990s and is aimed at bringing relief to communities to the east of Leeds which suffer from heavy traffic. It is also planned to improve the A1.

Mr Channon said the road would cut across the south-eastern outskirts of Leeds, joining the A1 just south of Bradford.

"These schemes will improve living conditions in many communities in and to the east of Leeds and will give the north and north-east much better access to the national motorway network," said Mr Channon.

Education Bill to outlaw bogus academic degrees

BY MICHAEL DIXON, EDUCATION CORRESPONDENT

THE GOVERNMENT is to outlaw bogus degrees, said Mr Robert Jackson, Minister for Higher Education, in London yesterday.

He said the Education Bill, to be published next week, would restrict the right to offer UK degrees to institutions empowered to do so by Royal Charter or Act of Parliament. Those institutions consist of the 46 universities, the Council for National Academic Awards which covers the polytechnics, the Royal College of Art, and Cranfield Institute of Technology.

Other British-based educational establishments would be allowed to continue offering degrees of bona fide foreign universities and colleges, but they would be required to make clear in all advertisements, correspondence and documents that they

do not award British degrees. People or organisations infringing the new measure, to be policed by local authority trading standards officers, would be liable to fines.

Mr Jackson said the Government deplored the activities of organisations which offered degrees of no academic value. They would be banned from advertising or offering degrees, and from using the terms "bachelor", "master" or "doctor" as they are employed by recognised higher educational institutions.

He added that, although the Government was equally opposed to bogus educational certificates of other kinds such as diplomas, it would unfortunately not be able to extend the ban to them.

Merchant bank chief resigns

MR DEREK HUGHES, managing director of Samuel Mander merchant bank of the Midland Bank group, is leaving to pursue personal interests.

Mr Hughes, 55, said he would take on directorships and consultancy work for companies which needed advice about investment banking.

Prince's warning

PRINCE CHARLES warned a business conference in Newquay, Cornwall, yesterday that the West Country economy must be developed to avoid rural decay and social disintegration.

Tories clash on S Africa sanctions

BY TOM LYNCH

THERE WERE angry exchanges between Tory MPs in the Commons yesterday as a senior Tory backbencher defended the African National Congress against accusations of terrorism and attacked the Prime Minister over her opposition to sanctions against South Africa.

In debate on South Africa, Tory pro-sanctions campaigners - including Mr Ivor Stanbrook (Orpington), Mr Robert Adley (Christchurch) and Mr Hugh Dykes (Havant) - clashed repeatedly with other Tories, notably Sir Ian Lloyd (Havant), Mr George Gardiner (Redgate) and Mr John Carlisle (Luton North).

The Prime Minister was wrong to say that the ANC is a

terrorist organisation like the IRA. It is not, Mr Stanbrook said.

Sir Ian intervened. He said the ANC was "exactly identical to the IRA in every single respect" and we could do no good in negotiating with it.

Mr Stanbrook told Sir Ian: "The ANC has been driven to violence, and who can condemn them for that in the circumstances? If you don't understand the strength of that distinction, you don't understand anything."

He said the difference between the ANC and the IRA was "absolutely fundamental." Republicans in Ulster had the right to vote, while in South Africa "the legitimate representatives of the

African people have been oppressed and driven out. There is no possibility of constitutional change by Africans in South Africa."

He attacked the Prime Minister for her use, in Vancouver, of trade statistics to embarrass the Canadian Government over its links with South Africa.

This had encouraged some newspapers to print "damned lies and distortions" about our Commonwealth states.

Sir Ian said the ANC's chance to put its views in South Africa were "not as ideal as anyone in this chamber would like." However, other leaders like Chief Gubbins Buthe did make their views heard.

Mr Donald Anderson, from the

Labour front bench, urged the Prime Minister to use her influence on South African whites to convince them to change. Several Labour backbenchers supported the call for tougher sanctions against South Africa.

Mr Lynda Chalker, Foreign Office spokeswoman, said: "Let no one doubt the sincerity of our determination to see apartheid ended. We oppose apartheid root and branch. It must go and must be replaced by a representative, non-racialist system of government."

She rejected charges that the UK was out of step with the Commonwealth, saying there was general agreement on the ends but not the means.

Michael Cassell on a stormy week in the House of Commons
MPs move from low farce to high drama

Speaker Bernard Weatherill: authority challenged

MR BERNARD WEATHERILL, the Speaker of the House of Commons, shouted over the heads of squabbling MPs this week that the reputation of the chamber over which he presided "lies in the mouths, actions and behaviour of its honorable members."

Over the past few days, elected members of the Commons appear to have done little to enhance the public standing of a place which is already held in fairly low esteem beyond the precincts of the Palace of Westminster.

At the height of the latest row on Thursday, the Speaker warned that MPs were bringing the House into grave disrepute and the strength of that disrepute, were not giving the nation the lead it could rightly expect.

His remarks came during a particularly ill-tempered session in a stormy parliamentary week and they culminated with the expulsion from the Commons of Mr Tim Dalyell, the Labour MP for Linlithgow, who has pursued a single-minded campaign against Mrs Thatcher for her involvement in the Westland affair.

A respected parliamentarian, Mr Dalyell's repeated attempts to brand Mrs Thatcher a liar finally proved too much for the Speaker after a trying week which embraced moments of high farce, as Mr Eric Heffer donning a collapsible opera hat to draw the Speaker's attention during a division, and high drama, with an increasingly furious Speaker pleading to MPs "for God's sake sit down!"

But in a week when respect for the procedures of the House seemed to be slipping away, Mr Dalyell's well-rehearsed departure which raised eyebrows as the fact that more than 100 Labour MPs, including three whips, voted against the suspension.

Their action, interpreted as an open defiance of the Speaker's ruling, together with the wild applause from Labour benches which accompanied Mr Dalyell

obeyed or the whole system breaks down. The mood of the House can change very quickly, however, and the hope is that things will quickly quieten down. We must get used to sensible debate and discussion as soon as possible, otherwise the real issues get neglected."

Special "peace talks" between party whips dubbed the usual channels "have so far been ruled out in the hope that common sense prevails and both sides of the House get back to business."

Though some senior Labour figures did not approve of the latest, dramatic challenge to the Speaker's authority, they do not appear unduly worried about recent events in the Commons, though there was considerable anguish and not a few harsh words over the strategy adopted for the Westland bill.

The message from the party leadership was that recent events prove Labour's determination to mount and sustain as effective an opposition as possible, given the numerical odds against it.

Mr Roy Hattersley, Labour's deputy leader, said Labour meant to show it was prepared to use all tactical weapons at its disposal to fight a series of "offensive" legislative proposals. It was looking forward to the battle and intended to expose a style of government which increasingly nurtured "special relationships" with companies and vested interests that sought its help.

The noisy, angry and bedtempered scenes played out in the Commons this week will have provided a source of real concern to the Speaker.

As another senior minister commented yesterday: "The sooner television gets in there, the better behaved people will have to be. At the moment, it just sounds like bedlam but the presence of cameras should calm everyone down."

However, there are widely opposing views on whether television would improve behaviour or merely encourage the tireless band of parliamentary exhibitionists.

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UK NEWS

Alice Rawsthorn looks at a new threat to an old British industry
Piano imports hit discordant note

IN THE EDWARDIAN era, when the British piano industry was in its heyday, Kemble was struggling to establish itself as a piano maker in Stoke Newington on the outskirts of London.

After six decades of decline for the industry, Kemble is by far the biggest of the six piano manufacturers left in Britain. Yet today Kemble, like the other surviving piano makers, faces a new threat: an influx of cheap pianos from South Korea.

The South Korean piano industry first began to export pianos to Europe at the turn of the decade but in the past year or so the flow has accelerated. The piano makers of South Korea have used the benefits of low labour costs and a competitive currency to undercut European manufacturers.

In Britain a good upright piano retails from £1,500. South Korean pianos of acceptable quality are being imported at trade prices of £800, which is less than it would cost a British manufacturer to make them.

The surge of South Korean imports is potentially so damaging that the European Commission recently initiated an inquiry into the problem.

Ironically, the surge has coincided with a recent recovery by the British piano industry.

In the past year or so, the industry's prospects have brightened. After six years of stability the number of pianos sold to the home market rose by 10 per cent to 12,571 last year. More than two-thirds of these were imported. But British manufacturers benefited from a buoyant export market and employment in the industry increased slightly.

The increase in sales has continued this year. Chappell of Bond Street, one of the largest London dealers, reports healthy demand and a trend for people to treat themselves to more expensive pianos.

The British piano-making industry dates back to the 19th century, when there were more than 200 manufacturers. It flourished until the 1920s, when it produced up to 60,000 pianos a year.



Richard Naff of Chappell playing a Kemble piano

The industry has declined steadily ever since. First, the piano market faltered. Then, in the late 1960s, the first Japanese pianos arrived in Britain. Imports, hitherto restricted to very fine West German and Austrian pianos, emerged as a serious problem.

One by one, many of the famous names of British piano-making disappeared. Yet Kemble grew. It did so by moving in 1969 from its antiquated Stoke Newington factories to a spanking new production plant in Milton Keynes and by making pianos for other companies.

Over the years Kemble bought the rights to the names of less fortunate fellow manufacturers, such as Cramer and Brinsmead. It also began to manufacture for overseas companies such as Schmidt-Flohr of Switzerland and Klein of France.

But in the late 1970s the British piano industry was dealt a double blow. First the export market collapsed when sterling rose to uncompetitively high lev-

els. Then the home market shrank as Britain sank into recession. As if to add insult to injury the influx of Japanese pianos turned into a flood.

In 1979 almost 16,000 pianos were sold in Britain, only 40 per cent of which were imported, according to the Piano Manufacturers Association. Three years later fewer than 11,000 pianos were sold and more than half were imported. The surviving British manufacturers were left to struggle for a smaller share of a shrinking market.

Kemble suffered with the rest of the industry. Its production peaked in 1976 when it made more than 6,000 pianos and employed 200 people. Five years later it manufactured just 3,000 with half as many workers.

The company hauled itself out of the doldrums by cutting costs and improving productivity. Piano-making is still a labour-intensive process as much of the work is done by hand. Yet there has been some innovation. It has also

augmented its links with other companies including Ibach of West Germany and Yamaha of Japan.

The association with Yamaha dates back to the 1960s when Kemble began to distribute its pianos in Britain. Three years ago the two companies established a joint venture, whereby Kemble assembled Yamaha pianos in Milton Keynes.

This year Kemble will make more than 1,200 Yamaha pianos for sale in Britain and continental Europe. Last year Yamaha acquired a shareholding in Kemble. But the Kemble family - now in its fourth generation - retains control.

For Yamaha this venture offered an opportunity to dampen the effects of the rising yen on its European sales. Kemble has been able to increase output - from 3,500 pianos last year to 4,500 this year - and to expand its workforce.

The other survivors of the British piano industry are smaller concerns without influential Japanese partners or ambitious capital expenditure programmes.

Alfred Knight, which has made pianos for more than half a century, watched its production fall from a peak of 1,800 in the late 1970s to just 700 last year. Mrs Sylvia York, the daughter of the founder and the present chairman, said that Knight's has survived by "adapting very, very quickly as only a family business can".

Similarly, Spencer, which was set up in Milton Keynes five years ago, went into receivership twice before being bought by the Clarke family. Spencer, now trading as Milstone Spencer, has been steered back to break even by cutting the workforce of 15 to just seven people.

All these companies, large and small, are threatened by the South Korean surge. A crumb of comfort for the British industry is that it is not the only one to suffer from imports. Mr Christopher Clarke of Milstone Spencer, put it: "The South Koreans are now doing to the Japanese what they did to our industry eight years ago."

LABOUR

Post Office agrees talks to avert strike

By John Gapper, Labour Staff

THE POST Office yesterday agreed to "urgent and wide-ranging discussions" with the Union of Communications Workers next week in an attempt to avert strike action over Christmas.

Talks are due to resume on Monday, with the result of a strike ballot of the UCU's 162,000 members on the union's claim for a reduction in the working week from 43 hours to 40 to follow on Tuesday.

After talks yesterday led by Mr Ken Young, Post Office vice-chairman, and Mr Alan Tiffin, UCU general secretary, the two sides agreed to discuss the "mechanics" of how to change working arrangements.

The two sides said that the talks would cover reliability of service, productivity agreements, and the "length and structure" of a shorter working week.

The Post Office, which says that postmen work a 39½-hour week excluding breaks, has offered a one-hour reduction which it says would put its staff among the top 10 per cent of manual workers in terms of pay and conditions.

The joint statement yesterday said that there was "scope for greater mutual benefit" of postal workers and Post Office customers. Mr Tiffin has said that he would like to reach a compromise.

The union is confident of a majority in favour of industrial action - which could include such options as overtime ban, withdrawal of goodwill and selective strikes of between one and three days - but there are fears that it could be a narrow one.

Wage deals level 'rises to highest of the year'

BY DAVID BRINDLE, LABOUR CORRESPONDENT

PAY DEALS are running at a median level of 5.5 per cent, higher than at any time this year, according to a survey to be published next week.

The survey by Industrial Relations Services, the research group, says that while the trend may appear to have been "ever upward" since the start of the summer, it is not yet clear whether this is a general movement or the result of a few large recent settlements.

However, it warns: "With the good profit record of many British companies and the pressures on pay rates from factors such as the need to recruit and retain skilled employees, the increased costs of living in London and the south-east and rising inflation generally, pay settlement levels are unlikely to decline in the near future."

The IRS survey follows publication this week of the Government's latest figures for the increase in average earnings, showing an underlying rise of 7.75 per cent in the economy as a whole, 8.5 per cent in manufacturing and 7.25 per cent in services.

A rising trend of basic settlements would maintain upward pressure on these indices and on unit labour costs, while increasing anxiety in the public sector over the Government's 4 per cent inflation and pay assumption for 1988-89.

IRS finds the mean level of pay settlements to be 6.5 per cent, compared with 5.8 per cent a month previously, with the top of the range of deals (excluding the top per cent) rising similarly from 7.5 per cent to 8.4 per cent.

A key ruling under European

law earlier this autumn may have implications for any employer implementing redundancies. IRS says in its latest industrial relations legal information bulletin.

The ruling by the Employment Appeals Tribunal held that women National Health Service workers must be paid the same redundancy pay as male colleagues of the same age. Under NHS rules, women's redundancy rights have been progressively reduced after age 55.

Although the case applied to contractual employment rights, IRS says it is "arguable" that it could also be applied to statutory redundancy terms.

Pay and Benefits Bulletin/Industrial Relations Legal Information Bulletin. IRS, 18-20 Fitzroy Square, London N5 1QP. By subscription.

Militant is tipped for key CPSA post

BY DAVID BRINDLE

MR KEVIN Roddy, a leading Militant Tendency supporter, was last night being widely tipped to become head of organisation of the CPSA, the biggest civil service union.

His appointment to the post would add to the growing number of Militant and hard-left supporters obtaining key jobs under the union's Militant-led national executive committee.

Mr Roddy's application for the vacancy was lodged at CPSA headquarters by yesterday's closing date. His confidence in winning the post is reflected in his non-inclusion in the hard left's slate of candidates for next spring's executive elections.

The job, which offers a total salary of up to £16,600, carries responsibility for membership recruitment, organisation and promotion of the CPSA and maintenance of membership records.

Mr Roddy, a former CPSA president, is one of the most prominent Militant supporters in the union movement. At present he is employed at the child benefit computer centre at Washington, Tyne and Wear.

His main rival for the job is likely to be Ms Ann Jarvis, a supporter of the non-Militant Broad Left. Ms Jarvis, 44, is a lay-officer in the union's Employment Department section.

Applications for a second full-time CPSA post - an assistant secretaryship - also closed yesterday. Tipped for the vacancy is Mr Graham Corbett, an activist in the Environment Department, who is identified with the Militant-led Broad Left faction but is not himself a Militant supporter.

Bifu to hold vote at Midland

By John Gapper

THE BANKING, Insurance and Finance Union is balloting members in Midland Bank of stepping up industrial action over pay to include a series of two-hour lunchtime stoppages amid signs that an overtime ban has so far failed to bite.

The union, which blames a pre-Christmas lull in banking for the limited effect of the overtime ban imposed on September 30, said yesterday that it was hopeful of a vote in favour of tougher action by its 26,000 Midland members.

Mr Steve Gamble, Bifu assistant secretary, said that the £40m investment in Midland by Hongkong and Shanghai Bank announced yesterday would make it harder for Midland to say that it lacked the financial resources to pay staff more.

Kinnock pledges full support for N Ireland security forces

BY OUR BELFAST CORRESPONDENT

MR NEIL KINNOCK, the Labour Party leader, pledged his full support for the security forces in their fight against terrorism, during a short visit to Northern Ireland yesterday.

Mr Kinnock, a strong supporter of the Anglo-Irish Agreement, had talks with church leaders and political representatives, and was given a full security briefing in Armagh.

He also met Mr Ken Maguire, Ulster Unionist MP for Fermanagh and South Tyrone, in whose constituency the IRA bombing of Enniskillen happened last Sunday.

During a series of meetings in a hectic schedule, Mr Kinnock reiterated that while he was Labour leader there was no question of the party having any links with Sinn Féin, the IRA's political wing.

He said he would not give

credibility to any organisation which supported violence as a means of achieving political progress.

Earlier in Dublin Mr Kinnock said it would be a mistake for the Irish Government to link ratification of the Anglo-Irish Agreement with changes in the administration of justice in Northern Ireland.

He said that since the Enniskillen tragedy there had been a shift of opinion in Ireland generally and the extradition issue was receiving fresh appraisal.

He added: "It is certainly the case that the same sense of recoil exists in the Republic of Ireland as exists in the United Kingdom as a consequence of last week's Enniskillen bombing, together with other horrors that hit the Republic in the weeks before that."

Mr Kinnock made it clear that he had told Mr Charles Haughey, the Irish Prime Minister, that in his view the extradition arrangements should be ratified.

He said: "I put them in the context of the Anglo-Irish Agreement, which is a security issue, and also the joint determination of two democracies to treat that very special form of crime - terrorism - on an equal basis."

The Labour leader said it would be a mistake to try to avoid the extradition issue by involving extradition and changes in the Diplock courts, where judges sit alone to hear terrorist cases in Northern Ireland.

Mr Kinnock's visit came on the eve of Unionist rallies in towns throughout Northern Ireland on the second anniversary of the Anglo-Irish Agreement.

Insurance funds rise to £174bn

By Eric Short

THE TOTAL value of life and pension funds of insurance companies operating in the UK amounted to £174.4bn at the end of last year - £32bn more than at the end of 1985.

General insurance funds of these companies rose by £58bn over the year to £58.5bn.

The size of insurance funds is just one of the figures in Insurance Statistics 1986-87, from the Association of British Insurers. Life and pension premiums rose by over £4bn to £21.5bn, of which £3.2bn came from overseas, and general insurance premiums climbed by more than £5bn to £19.9bn, with half coming from overseas.

Underwriting losses in the general insurance business fell by £800m to £1.4bn and there was a trading profit of £1.1bn, the best since 1981. Life companies paid out £14.4bn in claims - more than two-thirds of their premium income.

Life funds held half their assets in equities at the end of 1986 - about 588m. Gift holdings, amounting to £21.1bn, accounted for a fifth and direct property, at £24.9bn, for 15 per cent.

The UK insurance industry, including Lloyd's, contributed £4.2bn to invisible earnings in 1986 - 46 per cent of the total from financial services - compared with £2.91bn in 1985.

Insurance Statistics 1986-87, Association of British Insurers, Aldermoor House, Queen St, London EC4N 1TT. Free.

Vodafone links with Mercury

RACAL VODAFONE, a cellular telephone network operator, and Mercury Communications, British Telecom's rival, are to transfer traffic directly between each other. Mr John Flett, who negotiated the deal for Vodafone, said it would improve call quality between Vodafone and Mercury networks.

By obviating the need for calls between Vodafone and BT's connected Mercury clients to travel via BT's network, it would also increase Vodafone and Mercury revenues.

Ford hit again as engine staff walk out over pay

BY JIMMY BURNS, LABOUR STAFF

FORD yesterday suffered another day of industrial unrest when 1,500 manual workers staged an unofficial 24-hour strike at the company's engine plant at Bridgend, South Wales.

The action, similar to that carried out by 14,000 manual workers earlier this week at the company's Dagenham factories in east London, the Southampton van plant and the research centre at Dunton, Essex, was in protest at the company's three-year wage offer linked to significant changes in working practices.

In a further development yesterday, 8,000 manual workers at

the giant Ford plant at Halewood, North Merseyside, split over a 24-hour unofficial strike call for Monday also in protest over the pay offer.

After the night shift had voted to stay out, the day shift rejected the call by a three-to-one majority. As the shift change over the weekend, the company expects car production to be halted at the plant on Monday.

The strike by about 4,000 workers is planned to begin just as 600 supervisors return to work after a five-day stoppage over proposed changes to their role.

Membership of AEU forecast to fall by 7%

BY PHILIP BASSETT, LABOUR EDITOR

MEMBERSHIP of the Amalgamated Engineering Union is set to fall by almost a further 60,000 this year in a move which will have a considerable impact on overall union membership and density figures for 1987.

AEU leaders expect the union's membership of 857,550 at the start of the year to have fallen by the end of 1987 to about 800,000.

This decline of almost 7 per cent follows a fall last year of 117,345 - making a cumulative total fall for the two years of about 175,000 members, or 18 per cent of the total.

AEU forecasts expect a further fall next year of about 60,000, pushing the union down to about 740,000 - a decline during the three-year period of about 200,000, or some 23 per cent.

While some of the decreases stem from continuing job losses in manufacturing, others stem from a winnowing-out by AEU leaders of lapsed or otherwise dormant membership roll entries.

This year's decrease, which may see the GMB general union take over as Britain's second-largest, seems certain to push the overall membership of TUC-affiliated unions close to the 9m mark, which would be the TUC's lowest level since 1968, before the union membership boom of the 1970s.

In an attempt to generate more money from members to finance recruitment, AEU leaders have succeeded in winning agreement from the union's recalled rules revision conference to something they have tried to achieve for years - linking contribution levels directly with members' income. Earlier this year the conference rejected the move.

The union's leadership believes that the change will allow for stable forward planning of AEU finances, which have been under considerable strain. This year the AEU took steps to head off an anticipated 1986 deficit of £2m, including a wage freeze, local office closures and redundancies for 37 union officials.

Contribution rates will rise by 8p to £1 a week in January, by a further 10p in January 1988 and from January 1990 will be linked to earnings at 1 per cent of the engineering industry's national minimum time rate.

Mr Gavin Laird, AEU general secretary, says: "It's a one-shot deal in the sense that the membership will soon learn to live with it."

Last year the AEU's contribution income per member was £22.32, compared with £26.54 for the TGWU transport union and £23 for the GMB general union.

GRANVILLE SPONSORED SECURITIES

High	Low	Company	Price	Change	div. (%)	P/E
206	135	Ass. Brit. Ind. Ordinary	200	—	8.9	4.5 7.5
206	135	Ass. Brit. Ind. O.U.S.	200	—	10.2	5.0
41	32	Armstrong & Rhoads	35	—	4.2	13.1 4.5
142	60	BBS Design Group (USM)	60	—	2.1	3.4 9.6
108	108	Bardon Group	162	-1	2.7	16 27.7
186	95	Bry Technology	164	-1	4.7	29 13.1
281	130	CGI Group Ordinary	156	—	11.5	4.5 2.8
347	99	CGI Group 11% Conv. Pref.	135	—	25.7	11.6
271	136	Carborundum Ordinary	135d	-1	5.4	3.5 13.5
104	91	Carborundum 7.5% Pref.	104d	—	10.7	10.3
180	87	George Bial	154	—	3.7	2.4 4.0
243	119	Isis Group	92	—	—	—
302	59	Jackson Group	98d	—	3.4	3.5 10.8
780	320	Multihouse NV (AmusSE)	320	—	—	12.7
110	35	Reed Holdings (SE)	70	+4	0.1	14.1
114	83	Reed Hldgs. 10pcP (SE)	114	—	14.1	12.4
91	59	Robert Jenkins	59	-1	—	2.6
124	42	Scruttons	124d	—	5.2	4.4 4.9
224	147	Tesbury & Carlisle	154	—	2.4	10.5
70	32	Trevian Holdings	70d	—	0.8	1.3 4.4
131	55	Unilock Holdings (SE)	55	—	2.8	5.1 10.3
264	115	Walter Alexander (SE)	165	—	5.9	3.6 12.2
221	190	W. S. Vesnes	200	—	17.4	8.7 28.0
175	96	West Yorks. Ind. Hosp. (USM)	135	—	5.5	6.1 24.3

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Saturday November 14 1987

Sources of job creation

THIS WAS the week when a certain sense of normality returned to economic life. Admittedly, normality can be rather peculiar. The US announced a trade deficit of \$14.1bn for the month of September alone, bringing the deficit for the first nine months to over \$128bn. The markets promptly concluded that this was good news, the response being a firming of both the dollar and equity markets.

Normality is fragile. Yet the sense of stability, however temporary it proves, allows one to appreciate that nothing has yet changed in the real economy. This message can be obtained from the encouraging figures on UK employment and unemployment released on Thursday.

According to the official figures, unemployment fell by 58,000 on a seasonally adjusted basis (excluding school leavers) in the month to October 8, 1987. The level of unemployment has fallen to 2.7m, 497,000 below the peak in June 1986.

Unemployment figures are no longer easy to interpret. Figures on employment might be more informative, but these have not been updated since the end of the second quarter. Where the employment figures have been updated is for manufacturing, which shows a decline of 20,000 in the quarter to the end of September 1987.

Real earnings

The decline in employment in manufacturing gives an insight into what has been going on in the UK economy. Earnings continue to rise at a high rate, with the rise in the year to September at 8.4 per cent, up from 7.4 per cent at the beginning of the year. The implication is a continuing and steady increase in real earnings, the rise being 3.9 per cent in the year to September.

With this sort of rise in real earnings, the substitution of labour for capital is highly unlikely. Growth in employment depends, therefore, on overall growth. With the economy growing at 4 per cent a year, clearly above the long term trend, unemployment has at last begun to decline. Nonetheless, it will have to decline by the last year's number for at least five years before the rate of unemployment can be considered to be under control.

From the point of view of unemployment, the pattern of productivity growth has been as

favourable as could be. For reasons of counter-inflationary strategy it has been decided to fix the exchange rate against the D-mark since the beginning of 1987. This has proved consistent with the underlying growth of unit costs in the economy because of the rapid growth of productivity in manufacturing. In 1987 unit costs in manufacturing in the UK are expected to fall in relation to those in the other major industrial countries, the reason being that productivity in manufacturing has risen by over 7 per cent in the year to August 1987.

The implication of this very high growth of productivity in manufacturing is that employment growth cannot be expected. But this has not mattered because of the vastly lower rate of growth of output per man in services, estimated at 1.4 per cent over the past eight years and little more in the past year.

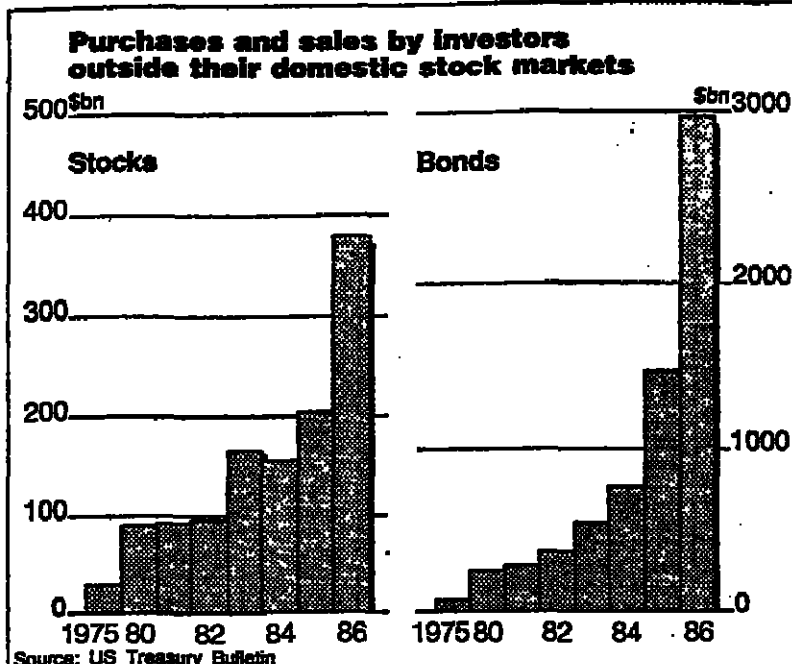
Earlier experience

In short, while the fast rate of growth of productivity in manufacturing has made a high rate of rise in earnings consistent with a stable exchange rate against the DM, the low rate of growth of productivity in services has produced a fall in unemployment. More precisely, employment grew by 1.4 per cent in the year to June 1987, while output grew by 3.8 per cent.

Is this fortunate conjunction, reminiscent of earlier experience in Japan, likely to last? The Treasury expects growth to be only 2.4 per cent next year. This would not only lower the direct growth effect on unemployment but will probably lower the rate of growth of productivity in manufacturing as well. If so, the pressure on the exchange rate could increase, unless earnings growth declines quite unexpectedly. The effect on the growth of manufacturing output of the loss of competitiveness could be highly adverse. In the usual vicious circle, unemployment could continue to fall, however, if productivity growth in services were to fall as well, but then inflation would be on an upward course even with the fixed exchange rate.

The decline in unemployment, been an encouraging and in some respects a very fortunate one, but there is a way to go, and the road looks very bumpy indeed. One can only hope that things remain normal for long enough to allow the process to continue.

John Plender considers why all the world's stock markets have crashed together



Foreign investment by private sector pension funds

	1980	1986
of total assets	\$bn	\$bn
US	1%	3.3
UK	9%	9.7
Japan	1%	0.4
Canada	7%	2.0
Netherlands	4%	1.5
Switzerland	4%	1.3
W.Germany	2%	0.5
Australia	0%	0
France	1%	0.7
Rest of world	2%	1.7
Total	21.1	145.0

Source: Intersec Research Corporation

Foreign investors' share of trading volume in leading equity markets in 1986

	Total trading volume \$m	Accounted for by foreign investors
US	2686	10.3%
Japan	1995	9.3%
UK	266	35.5%
W.Germany	151	39.5%
France	94	34.7%

Source: Salomon Brothers

A homing instinct in the storm

SUDDENLY THE pressure is off. After the long and dizzy slide since Black Monday, October 19, world equity markets finally paused for breath this week.

As the securities business licks its wounds, the inevitable post-mortem examinations are already in train - in the open and with much ballyhoo in the US; behind closed doors in Japan and Europe. The nagging questions are the simplest ones. Why did the crash hit hardest some of the strongest economies, notably in Europe? Why did the market fail to stabilise earlier? How far was the severity of the slide the fault of deregulation and high-tech trading systems? And, not least, where do we go from here?

It will take time for satisfactory answers to emerge. But there seems little doubt that deregulation and the globalisation of securities markets will henceforth be seen in a less flattering light. There is mounting talk of a foreign sell-out across the world, as panicky investors have retreated back into the familiar surroundings of their own domestic markets.

This could provide part of the explanation why Britain, with one of the strongest economies in the OECD area, appears to have been a more spectacular victim of the crash than either the US or Japan. It also suggests that the global equity market is no longer fulfilling the economic function envisaged when the deregulation bandwagon started to roll.

At one level, the spectacular growth in global portfolio investment (see charts) reflects the desire of investors to diversify into different currencies and markets in response to the new freedoms offered by liberalisation. At another, it contributes to overshooting in those markets. The classic instance has been the deregulation of Japanese capital flows. For Japanese savers have helped finance the US trade deficit which is at the root of the market's current woes.

Globalisation started to shift into reverse in the first quarter of this year when Japanese and other foreign investors panicked over the collapse of the world's chief reserve currency. While the Japanese fund managers continued to buy US securities, they did so on borrowed dollars. In other words, they shifted from investing to speculation, while pumping their cash flow mainly into the Tokyo market, which soared to seemingly absurd levels. Central banks were left to finance the US imbalance of payments.

This October the process has been taken a stage further, with large-scale divestment by foreign investors in general. And the deregulation of Britain's stock markets has left London vulnerable to the backwash in the aftermath of Big Bang. Before deregulation, the Stock Exchange was a parochial backwater. Today, it is a night. There is mounting talk of a foreign sell-out across the world, as panicky investors have retreated back into the familiar surroundings of their own domestic markets.

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The global equity market is not fulfilling the function envisaged at the start of deregulation

on the size of Stock Exchange bargains in the week of Black Monday.

The usual average bargain size in equities was reckoned before Black Monday to be around \$22,000. Yet from Wednesday October 21 the average size of sales bargains was substantially greater than this, while the average size of purchases was much less. In other words, the institutions were probably selling to private investors.

After a 12-year bull market, it would have been very surprising if the market makers were not running large positions up to the limits of their capital ratios, making it all the harder for them to stabilise prices as they turned sharply downwards.

British equities had had a bigger run up than most in 1987 and the institutions were heavily invested in equities. Their liquidity had been drained by a large volume of new issues, while some pension funds had reduced their cash inflow through contribution holidays.

With the British Petroleum share offer putting further pressure on liquidity, as the sub-underwriters confronted a huge call on their resources, few fund managers were in a position to pump cash into the market. Those who were had to worry about how their three-monthly performance figures would look if the rest of the herd stayed away.

In contrast, the Japanese investment institutions were highly liquid and the Government traditionally responds to stock market crises by inviting fund managers to support the market. The big four securities firms also do their bit. So most of the selling in Tokyo over the past month has come from foreign and private investors.

In the US, in the meantime, corporations have responded to the market crash by buying in

shared in hundreds compared with BT's multiple of 11.

Arguments rage about the valuation of Japanese shares, but to Western eyes, this continues to look a dangerous situation, and one from which Japanese investors might do well to diversify into European equities.

With equity prices at their present level, how stable or shaky is the world's financial structure? The response from monetary officials who have assiduously pumped liquidity into the money markets is reassuring. In an economic cycle where the securities markets have played a greater role in financial intermediation than banks, there was always a risk of a short, sharp shock. While bankers can argue that the value of the loans in their balance sheets is a matter of judgement and bank auditors can be relied on to do what they are told, those who hold stock market investments see them being repriced minute by minute and the auditor cannot slide away from uncomfortable decisions in the face of the market quotation.

To have come through such a sharp setback without a serious bankruptcy, in which the securities market spread to the banking system, is a remarkable achievement. Take heart, is the message.

Well, maybe. But some very big losses have been taken in the system. Even if outright bankruptcies are avoided, short-term marriages may well be a consequence of arrangements. Not least on Wall Street, where the conventional wisdom that the best known names are very adequately capitalised looks increasingly unconvincing in the light of the investment banking losses that have been announced over the past month.

One of the lessons of the British Petroleum underwriting, where the most prestigious investment banks in the US were only too anxious for the British Government to bail them out of their commitments, is that the US underwriting system concentrates risk very narrowly on individual firms. The much criticised British system, by contrast, spreads risk more widely around

big institutional sub-underwriters.

Another lesson is that the primary market in international equities exists only when prices are going up. After the noisy American threat to dump BP stock on the British market, leading industrialists around the world may well start questioning the value of an international spread of equity ownership. The cost of capital looked cheaper on the way up, but now comes the hangover after the party.

The consolation is that the rise in bond market prices reduces the cost of raising debt finance. But that is not much help to many smaller British companies, which have derived no benefit from the internationalisation of equities and bonds and now see a very illiquid market in their own shares. And in the US the bond market rally has been restricted to better quality borrowers.

The secondary market in international equities seems likely to play a diminished role in balance-of-payments financing for the immediate future. But since it continues to provide collateral for the international banking system, it retains the capacity to transmit shocks across the globe. The problems of Australian entrepreneurs who borrowed to speculate in foreign markets already dog numerous bankers and their share prices - most notably Standard Chartered, through its association with Mr Robert Holmes a Court.

All this suggests that we have reached the limits of financial interdependence. Henceforth regulation will be the order of the day. And in Britain that probably means that the authorities will feel obliged to review capital adequacy rules, as well as looking more cautiously at the arguments for importing US ways of issuing capital.

As for the market, its future movements must still be dictated primarily by economic fundamentals and by the response of policymakers to a profound lack of investor confidence. But history suggests that it can take a long time for the financial structure to work the consequences of such a sizeable shock out of its system.

IS ONE OF Britain's Big Four heading for the first ever overseas takeover of a UK clearing bank? Despite all the carefully worded talk of 'co-operation' in yesterday's announcement of the purchase of a 14.9 per cent stake by the Hongkong and Shanghai Bank in the Midland Bank, this must be the big question behind the deal.

Sir Kit McMahon, the eloquent chairman of Midland is adamant that the answer is not an outright buy-out. This is an exploratory link-up, he says, and the two banks will try to work more closely together. But it does not amount to a trial marriage, and Midland will still hold its destiny in its own hands.

The Hongkong Bank is also keeping quiet about its intentions. Mr Willie Purves, its Scottish-born chairman, has agreed not to buy more Midland shares for three years, but he has made no promises about what happens after that he could go for something bigger, or just leave things as they are.

No doubt both men are sincere in their caution: with all the uncertainty in world markets, this is not the moment to rush headlong into a merger even if they wanted to. Midland, in particular, has learnt to be circumspect after its disastrous alliance in 1980 with the Crocker National Bank in the US. And come 1991, both banks should have a much clearer idea of where they want to go.

But there was little doubt in the City's mind yesterday that this \$400m investment could be historic. Both Midland and the Hongkong Bank face uncertain futures - though for widely differing reasons - and there is a strong logic behind a close alliance if not outright takeover.

The Hongkong Bank, after all, has made no secret of its ambitions in Europe, which it views as the 'third leg' in a strategy encompassing its home market in the Far East, and the US, where it is now the largest foreign bank through its ownership of the New York state-based Marine Midland Bank. It showed its hand in 1981 with its bid for the Royal Bank of Scotland which was blocked by the UK Government.

Since then, Hong Kong's return to Chinese and the pressure on the Hongkong Bank to

The Midland's Hong Kong link

The start of a three-year engagement

By David Lascelles

adjust to an uncertain political future has increased. After Mr Purves raised \$1.6bn in new capital last year, the markets were buzzing with speculation that he was about to make his big move.

Much of that speculation centered on Midland because of its vulnerability after the Crocker

status. The alliance with Hongkong Bank will bring it two things: a large amount of new capital to fuel its growth, and access to markets from which it has had to be excluded for years (like the US) or where it was never strong (the Far East).

Conversely, the Hongkong Bank will get a better route into the European and UK banking markets. The Hongkong Bank's strength in the equities business (through James Capel, the London stockbroker firm which it owns) will be complemented by Midland's strength in the gilt market, though both banks are primary dealers in the US Treasury bond market.

This alliance seems to have the force on inevitability behind it. The more the two banks co-operate, the harder it will be for them to extricate themselves if they want to go their separate ways for any reason. By 1991, Hongkong Bank's scope for trying something else will have been reduced by a further three years. By the same token, Midland cannot afford to see this deal fall without the depressing prospect of having to go all the way back to square one again. They need each other.

The biggest obstacle in the way of a complete merger may not be the determination of the two banks but British banking law. This requires anyone who owns more than 14.9 per cent of

a bank to be 'fit and proper'. Quite what that means has yet to be put to the test. Mr Robin Leigh-Pemberton, the Governor of the Bank of England, said last month that he would object to British clearing banks being bought by industrial companies or foreign institutions 'whose

business aims and national interests lie elsewhere'. The clearing banks are too close to the nerve centre of the economy for that.

But has anything changed since the bid for Royal Bank of Scotland, when the Hongkong Bank was deemed to be too foreign to be acceptable - despite the fact that it operates out of a British colony and is managed by British people? To a degree, Hong Kong banks are much better managed and supervised now, and a merger with Midland would presumably be a friendly affair which would benefit the smallest of the Big Four clearing



Sir Kit and Mr Purves: two chairman sincere in their caution

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The deal is rich in irony: a strong bank in a politically weak country is helping out a weak bank in a politically strong one. It also has echoes of the Crocker deal where the perfect match ended in ruins - only this time the Midland is the weaker party rather than the weaker. Yesterday's announcement could be the opening chapter in an eventful story.

But such Houdini-like tactics are considered most unlikely because they would destroy business confidence in the colony and cause a disastrous diplomatic row with the Chinese. The Bank of England, for its part, describes any discussion about Hongkong Bank's status as 'hypothetical'.

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APPOINTMENTS

Chairman of new TSB private bank

Mr W. Trevor Robinson has been appointed non-executive chairman of TSB PRIVATE BANK INTERNATIONAL, TSB's new Luxembourg-based private bank, due to open in January. A main board director of TSB England & Wales, Mr Robinson was formerly executive vice president of Manufacturers Hanover Trust responsible for its operations in the UK and Europe. Mr Charles Love, general manager (financial services) of TSB England & Wales, and Mr George Thain, managing director-designate of TSB Channel Islands, have been appointed directors of TSB Private Bank International.

ANSWERCALL has appointed Mr Chris Parsons as managing director, and assigned chief executive Mr Krishna Silver to the board as commercial director. Mr Parsons also takes the responsibilities of the departing financial director Mr Keith Beeson. Mr Parsons was managing director of Bregreen (Holdings).

HAMPTON & SONS has appointed Mr David S. Davies and Mr Geoffrey Blott, both of Hampton's Hong Kong associates, First Pacific Davies Properties, as non-executive directors

of the town group board. Mr Davies and Mr Blott are directors of the Bond Corporation. Mr Hamilton Vercheyle, chairman and managing director of Hampton & Sons, and Mr Peregrine Bousfield, director of the town houses department, have joined the board of First Pacific Davies Properties in Hong Kong.

Mr Graham White, managing director of London, has been appointed a non-executive director of NLSA.

QUARTO PUBLISHING, wholly-owned subsidiary of Quarto group Inc., has appointed Mr Christopher Collier as publishing director from November 30. He was editor-in-chief at Book Club Associates.

MERCURY FUND MANAGERS (MFM), part of the Mercury Asset Management Group, has appointed Mr James Dawson as chairman. He was deputy chairman, and replaces Mr Richard Bernays, who remains a director of MFM and has been appointed chairman of the newly-formed Mercury Asset Management Group Services.

Mr John Arbuckle has been appointed a divisional director of

Midland Bank senior post

MIDLAND BANK has appointed Mr Andrew B. Stephens as regional director, home counties. He succeeds Mr Sam Foreman, who has held the post for 18 months and is now returning to Northern Bank. Mr Stephens was appointed head of UK operations in 1985 to help manage the restructuring of Midland's UK banking sector.

WEIR GROUP MANAGEMENT SYSTEMS has appointed Mr Jim Thompson to the new post of finance director. He was company treasurer with Weir Pumps. Mr Russell Gordon, systems manager, also joins the board.

Mr Geoffrey Marshall, managing director of Bally group (UK), has joined the board of PAPER SHOPS, part of Eastern Counties Newspapers Group.

ECONOMIC DIARY

TODAY: Communist Party conference opens (until November 17). London. The Lord Mayor's Show, London.

TOMORROW: National Savings monthly progress report for October. Arab Federation of Stock Exchanges meets in Cairo (until November 17). MONDAY: CBI/FT survey of distributive trades for October. October provisional figures of retail sales: Financial times two-day conference on world electricity opens. Hotel Inter-Continental, London. A review of the issues and a debate on short-termism, jointly sponsored by the Strategic Planning Society, the National Economic Development Office, and the Society of Investment Analysts, at 15 Belgrave Square, London. Mrs Margaret Thatcher, the Prime Minister, speaks at the Lord Mayor's Banquet. African economic experts meet (until November 18) to prepare for economic summit, Addis Ababa. International Labour Organisation governing body week-long meeting opens, Geneva. European Community Economic and Finance Ministers meet in Brussels to discuss the economic and monetary prospects of the Community and measures leading to the abolition of trade barriers by 1992, including proposals for abolishing fiscal frontiers. EC Agriculture Ministers start two-day meeting in Brussels to discuss ways of making CAP more responsive to market conditions and to cut surplus production. European Parliament week-long session opens in Strasbourg, centre place of a crowded agenda will be a debate on the future financing of the Community. Euroforum annual conference launched in London and Paris.

TUESDAY: Public sector borrowing requirement for October. Building societies monthly figures for October. President of Italy arrives in London for visit (until November 20). Airline industry launch scheduled. Kourou, French Guyana. British Production & Inventory Control Society's conference on preparing for the 1990s opens at Blackpool. Speakers include Mr Brian Wolfson, president, British Institute of Management (until November 22).

WEDNESDAY: Third quarter preliminary figures of gross domestic products (output-based). EC economic and social committee starts two-day meeting in Brussels. The Royal Institute of International Affairs/American Chamber of Commerce (UK) conference at Chatham House, London, on strategic export controls - military security, corporate self-interest and commercial policy - can conflicting goals be reconciled? THURSDAY: 1987 New Earnings Survey, Report Part D: Analysis by occupations, published by Department of Employment. Third quarter provisional figures of manufacturers' and distributors' stocks, and of capital expenditure by the manufacturing and service industries. October cyclical indicators for the UK economy. London and Scottish banks' monthly statement for October. Provisional estimates of monetary aggregates for October. 1981 Budget Royale to be auctioned at Royal Albert Hall. Mr Li Xianlian, President of the People's Republic of China, starts visit to Brussels, (until November 21).

FRIDAY: Deadline set by Gramm-Rudman Act for mandatory US budget cuts if President and Congress fail to agree on a package.

TUESDAY: Public sector borrowing requirement for October.

Midland Bank senior post

MIDLAND BANK has appointed Mr Andrew B. Stephens as regional director, home counties. He succeeds Mr Sam Foreman, who has held the post for 18 months and is now returning to Northern Bank. Mr Stephens was appointed head of UK operations in 1985 to help manage the restructuring of Midland's UK banking sector.

WEIR GROUP MANAGEMENT SYSTEMS has appointed Mr Jim Thompson to the new post of finance director. He was company treasurer with Weir Pumps. Mr Russell Gordon, systems manager, also joins the board.

Mr Geoffrey Marshall, managing director of Bally group (UK), has joined the board of PAPER SHOPS, part of Eastern Counties Newspapers Group.

FT ACTUARIES INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS	Friday November 13 1987										Highs and Lows Index			
	Index No.										1987			
	Index No.	Day's Change %	Est. Yield % (Max.)	Gross Yield % (Net)	Div. Yield % (Net)	Div. Yield % (Net)	Div. Yield % (Net)	Div. Yield % (Net)	Div. Yield % (Net)	Div. Yield % (Net)	High	Low	High	Low
1 CAPITAL GOODS (213)	669.49	-0.3	10.56	4.24	11.90	19.10	671.25	644.06	618.07	641.81	1039.07	1017.1	1039.07	1017.1
2 Building Materials (30)	884.59	-0.7	10.50	4.16	11.87	22.91	891.17	854.92	805.67	834.19	1281.08	1267.1	1281.08	1267.1
3 Contracting Contractors (33)	1284.25	+0.8	10.37	4.06	11.14	31.12	1217.97	1171.77	1119.39	1164.13	1931.50	1917.1	1931.50	1917.1
4 Electronics (14)	1777.25	+0.6	10.37	4.01	12.95	62.76	1747.28	1705.49	1641.76	1726.26	2721.45	2677.1	2721.45	2677.1
5 Electronics (33)	1472.41	-0.2	11.13	3.49	11.78	39.99	1475.48	1434.99	1382.09	1446.64	2234.70	2177.1	2234.70	2177.1
6 Medical Engineering (40)	327.48	+0.1	11.30	4.94	11.12	11.28	327.19	313.84	296.26	314.41	544.57	540.0	544.57	540.0
7 Metals and Metal Forming (7)	378.82	+0.1	10.40	4.36	11.71	11.35	378.58	365.97	350.82	362.72	596.67	591.0	596.67	591.0
8 Motors (14)	263.36	-0.4	12.54	4.70	14.01	7.31	267.45	256.19	224.05	229.30	411.42	407.0	411.42	407.0
9 Other Industrial Materials (32)	1168.22	-0.9	8.90	4.44	13.36	37.16	1170.73	1111.80	1051.70	1073.38	1736.38	1729.1	1736.38	1729.1
10 CONSUMER GROUP (183)	985.02	-0.9	8.51	3.60	14.92	22.28	973.88	940.50	898.14	928.80	1406.32	1387.1	1406.32	1387.1
11 Breweries and Distillers (21)	1217.76	-1.2	11.02	4.07	11.46	17.53	1222.66	1199.89	1178.41	1197.51	1889.35	1877.1	1889.35	1877.1
12 Food Manufacturing (23)	784.38	-0.4	9.45	3.98	12.67	17.48	787.68	762.50	735.48	759.72	1192.25	1187.1	1192.25	1187.1
13 Food Retailing (17)	2800.15	-0.4	7.45	2.98	17.87	60.31	2799.87	2753.16	2646.05	2685.71	3649.98	3617.1	3649.98	3617.1
14 Health and Household Products (10)	1749.97	-1.1	6.54	2.54	17.66	27.95	1768.41	1668.57	1590.82	1650.02	2699.85	2677.1	2699.85	2677.1
15 Leisure (30)	1383.45	+0.2	7.82	4.41	15.98	28.40	1388.93	1368.93	1349.49	1361.88	1504.70	1491.0	1504.70	1491.0
16 Packaging & Paper (16)	493.14	-0.4	9.08	4.39	14.53	12.72	486.91	479.34	457.55	473.48	739.48	737.1	739.48	737.1
17 Publishing & Printing (15)	1317.97	-1.0	6.94	4.65	18.20	36.15	1321.49	1292.62	1249.39	1269.18	1713.48	1707.1	1713.48	1707.1
18 Stores (35)	899.20	-1.6	8.71	3.53	15.47	18.97	892.89	861.22	827.85	859.58	1164.58	1159.1	1164.58	1159.1
19 Textiles (16)	564.82	-2.3	12.14	4.08	10.38	15.15	577.89	558.58	519.92	543.86	814.52	810.0	814.52	810.0
20 WHOLESALE & RETAIL (97)	321.46	-1.2	10.60	4.32	11.74	20.88	323.68	318.48	299.10	312.48	479.48	477.1	479.48	477.1
21 Chemicals (21)	996.38	-1.3	10.01	4.68	12.20	23.18	1001.22	976.82	926.61	950.45	1295.45	1291.0	1295.45	1291.0
22 Conglomerates (13)	1388.70	-1.4	9.51	4.33	12.03	22.33	1396.13	1363.36	1316.36	1345.19	1875.19	1871.0	1875.19	1871.0
23 Shipping and Transport (11)	1288.81	-0.7	10.32	4.32	12.71	12.71	1288.81	1288.81	1288.81	1288.81	1288.81	1288.81	1288.81	1288.81
24 Telephone Networks (12)	896.15	-0.5	11.31	4.53	11.70	18.50	872.25	858.54	806.80	836.12	1302.8	1298.1	1302.8	1298.1
25 Miscellaneous (23)	1139.45	-2.1	13.18	4.16	9.05	33.20	1164.32	1113.84	1039.40	1125.64	1772.70	1769.1	1772.70	1769.1
26 INDUSTRIAL GROUP (103)	664.45	-0.8	9.59	3.96	13.12	22.08	672.45	640.55	604.87	643.20	1268.66	1267.1	1268.66	1267.1
27 Oil & Gas (17)	1594.48	-2.8	10.49	6.21	11.76	45.74	1629.80	1583.49	1545.18	1602.35	2458.48	2457.1	2458.48	2457.1
28 500 SHARE INDEX (100)	927.39	-1.1	9.72	4.29	12.91	24.95	937.74	903.50	867.45	899.59	1340.88	1327.1	1340.88	1327.1
29 FINANCIAL GROUP (128)	667.78	-1.0	5.13	2.90	63.95	991.80	663.33	665.43	665.43	665.43	665.43	665.43	665.43	665.43
30 Banks (8)	1284.25	-0.1	9.23	6.19	6.23	25.98	1284.25	1284.25	1284.25	1284.25	1284.25	1284.25	1284.25	1284.25
31 Insurance (Life) (8)	972.85	-2.2	5.10	3.25	9.22	9.22	972.85	972.85	972.85	972.85	972.85	972.85	972.85	972.85
32 Insurance (Non-life) (7)	407.52	-1.1	5.77	18.69	492.85	483.94	484.26	484.26	484.26	484.26	484.26	484.26	484.26	484.26
33 Insurance (Brokers) (8)	784.95	-1.2	14.90	7.32	9.01	38.19	772.64	728.95	1253.95	1399.56	1779.92	1779.92	1779.92	1779.92
34 Merchant Banks (11)	321.46	-1.2	5.39	8.49	327.73	320.12	320.12	320.12	320.12	320.12	320.12	320.12	320.12	320.12
35 Property (17)	981.25	-0.3	5.39	3.32	22.89	16.77	984.28	958.16	928.74	958.16	1284.25	1284.25	1284.25	1284.25
36 Other Financial (29)	777.34	-1.2	9.57	12.88	13.27	382.76	757.35	744.44	735.98	744.44	1044.11	1044.11	1044.11	1044.11
37 Investment Trusts (28)	1154.78	-1.1	5.30	15.94	778.73	753.20	753.20	753.20	753.20	753.20	1224.43	1224.43	1224.43	1224.43
38 Mining Finance (2)	385.91	-1.4	12.78	4.92	9.56	12.77	381.40	382.64	384.91	384.91	727.93	727.93	727.93	727.93
39 All-Share Index (100)	1154.78	-1.1	5.30	15.94	778.73	753.20	753.20	753.20	753.20	753.20	1224.43	1224.43	1224.43	1224.43
40 All-Share Index (100)	1154.78	-1.1	5.30	15.94	778.73	753.20	753.20	753.20	753.20	753.20	1224.43	1224.43	1224.43	1224.43

FIXED INTEREST

PRICE INDICES	Friday November 13 1987										Highs and Lows Index			
	Index No.	Day's Change %	Est. Yield % (Max.)	Gross Yield % (Net)	Div. Yield % (Net)	Div. Yield % (Net)	Div. Yield % (Net)	Div. Yield % (Net)	Div. Yield % (Net)	Div. Yield % (Net)	High	Low	High	Low
1 British Government	124.08	-0.83	124.12	-	10.03	-	-	-	-	-	124.12	124.08	124.12	124.08
2 5-15 years	142.40	-0.47	143.04	-	12.14	-	-	-	-	-	143.04	142.40	143.04	142.40
3 Over 15 years	150.14	-0.84	151.41	-	12.41	-	-	-	-	-	151.41	150.14	151.41	150.14
4 Irredeemables	167.85	-0.84	169.26	-	13.35	-	-	-	-	-	169.26	167.85	169.26	167.85
5 All stocks	138.58	-0.41	139.15	-	11.56	-	-	-	-	-	139.15	138.58	139.15	138.58
6 5 years	124.08	-0.83	124.12	-	10.03	-	-	-	-	-	124.12	124.08	124.12	124.08
7 Over 5 years	142.40	-0.47	143.04	-	12.14	-	-	-	-	-	143.04	142.40	143.04	142.40
8 All stocks	138.58	-0.41	139.15	-	11.56	-	-	-	-	-	139.15	138.58	139.15	138.58
9 Inhabitors & Loan	120.15	-0.25	120.45	-	9.94	-	-	-	-	-	120.45	120.15	120.45	120.15
10 Preference	84.33	+0.17	84.19	-	5.74	-	-	-	-	-	84.19	84.33	84.19	84.33

0 opening indices 1687.2; 10 am 1688.8; 11 am 1685.0; Noon 1663.0; 1 pm 1660.3; 2 pm 1676.3; 3 pm 1677.9; 3.30 pm 1674.0; 4 pm 1678.0

CONSTITUENT CHANGES: Aberdeen Construction (C) has been deleted and replaced by Raine Industries (31).
 Agencies: 31/12/86 1114.07 Over 5 years 31/12/74 100.00
 Conglomerates: 31/12/86 1114.07 Mechanical Engineering 31/12/71 153.84 All Other 100.00
 Electronics: 31/12/86 1114.07 Industrial Group 31/12/71 153.84 British Government 31/12/75 100.00
 Other Industrial Materials: 31/12/86 1114.07 Other Financial 31/12/71 153.84 Do, Index-linked 31/12/75 100.00
 Food Retailing: 31/12/86 1114.07 Food Manufacturing 29/12/67 114.13
 Insurance: 31/12/86 1114.07 Insurance Brokers 29/12/67 114.13
 FT-SE 100 Index: 30/12/83 100.00

† Flat yield. A list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4A 3DF, price 15p, by post 32p

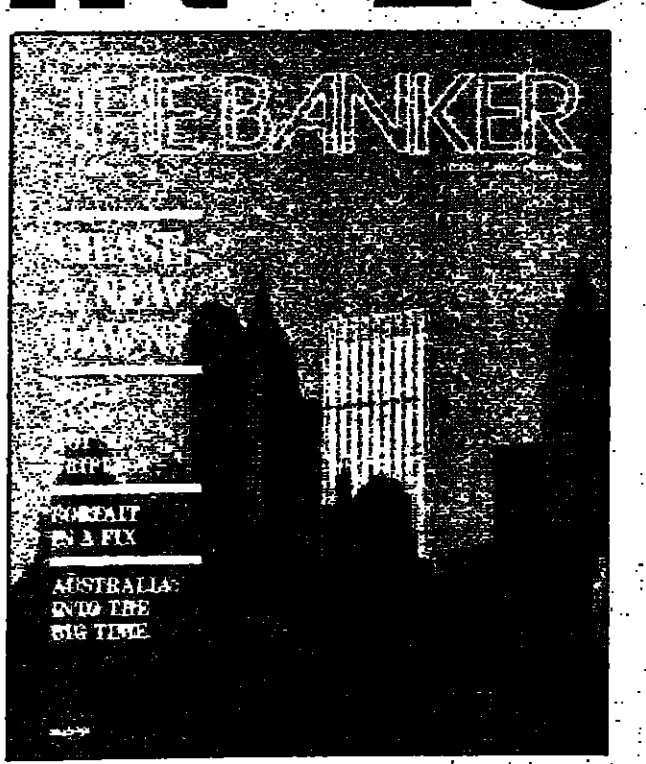
ANNOUNCEMENT

As explicitly announced on 16 October, 1987 by The Times and The Financial Times and on 31 October, 1987 by The Daily Telegraph, the Government of the People's Republic of Bulgaria make a Final Offer of Settlement to persons who were United Kingdom Nationals on 16 September, 1987, in respect of bonds of certain foreign public loans of the Principality of Bulgaria and the Kingdom of Bulgaria. The Offer will remain open for acceptance until 15 October, 1989.

British Nationals holders of bonds who decide to accept this Offer should apply to the Paying Agent, NATIONAL WESTMINSTER BANK, Stock Office Services, National Westminster House, Station Way, Crawley, West Sussex for a Form of Acceptance and a copy of the Offer.

Dimitar Zhulev, Ambassador of the People's Republic of Bulgaria to the Council of Foreign Bondholders and the League Loans Committee (London) refer to the above Offer published today on behalf of the Government of the People's Republic of Bulgaria and recommend bondholders to accept.

THE WHO'S WHO OF FOREIGN BANKS IN LONDON



Every month The Banker analyses the issues that matter in the world of banking and finance. The most comprehensive and influential single source of business intelligence you can read.

The November issue of The Banker contains a complete listing of every foreign banking operation in London. All the essential details are included: Location, Status, Management, and Staff of every branch, representative

INTERNATIONAL COMPANIES & FINANCE

Holmes a Court to raise cash with property sales

By Chris Sherwell in Sydney

MR ROBERT HOLMES a Court, the Australian entrepreneur hit hardest by the worldwide share market collapse, yesterday announced his first corporate move to raise cash to meet his debt obligations.

In a brief statement to the Perth stock exchange, Bell Group, his principal public company, announced the disposal of "some of its surplus investment properties" in the city's central business district.

The total consideration was put at A\$200m (US\$140m), and the company said this would result in a profit of A\$47m. No details were given of the properties involved or the terms of the transaction.

The Australian market has eagerly awaited a clear response from Mr Holmes a Court as the plummeting share price of his companies has resulted in a near-suffocating financial squeeze.

At mid-week both Bell Group, in which he holds about 45 per cent through his family company, and Bell Resources, in which Bell Group holds 42 per cent, had dropped more than 85 per cent from their peaks. The recovery of the past two days has lifted them from the trough.

Investors dumped the shares as the market collapsed because income from share investments

was seen as critical to the well-being of the Bell empire and to Mr Holmes a Court's ability to meet his debt obligations.

Broking analysts put the overall debt of Bell Group at A\$2.3bn and Bell Resources at A\$3.6bn. Annual interest payments amount to several hundred million dollars.

One broking analyst described yesterday's property sales as a "logical step" which would be followed with more liquidations because of Mr Holmes a Court's need for cash.

"He's very asset rich but short of liquidity. He needs to rationalise some of the equity positions he took in the bull run," the analyst said.

Ferruzzi lifts St Louis stake

By George Graham in Paris

FERRUZZI, the Italian foods group controlled by Mr Raul Gardini, has raised its stake in St Louis, the second-largest French sugar producer, to more than 13 per cent.

Mr Bernard Damon, the French group's chairman, said that the stake, acquired partly through Ferruzzi's European Sugar subsidiary, had not yet reached the "anxiety threshold."

St Louis has, however, announced plans for a defensive capital increase which will boost the stake of its major shareholder, the Worms group, from

19 per cent to nearly 30 per cent.

Worms is to transfer its shares in another French foods group, BSN, to St Louis, in return for new St Louis shares. The operation will be put to a shareholders' meeting on December 11 and should give Worms and other friendly shareholders more than 50 per cent of the capital.

Mr Gardini's intentions remain unclear. He has told the French company that he wishes to "participate in the definition of the St Louis group's strategy, as its only important industrial shareholder."

Bank of America cuts staff

By Clare Pearson

BANK OF AMERICA International yesterday became the latest Eurobond house to announce cuts in trading capacity when it dismissed its market makers in floating rate notes.

Mr Gerald Doherty, managing director, said the bank had no imminent plans to withdraw from other parts of the Eurobond market, but he added: "In common with many other houses, we are keeping our activities under close appraisal at the moment."

Three dealers in London and two in Hong Kong are to lose their jobs as a result of the withdrawal from dollar and sterling FRN trading.

But Mr Doherty said the company remained fully committed to trading in money market instruments, including commercial paper. He said these fitted in with the commercial banking business of its parent, Two Securities, Salomon Brothers International and PaineWebber International, recently withdrew

Swedish bank vice-president quits

By Sara Webb in Stockholm

MR LARS NYBERG, an executive vice-president at Svenska Handelsbanken, has resigned from his post as head of the investment banking division at Sweden's third-largest commercial bank, following the recent heavy trading losses made in the department.

Mr Nyberg, aged 42, will remain at the bank to work "on other duties," according to Mr Tom Hedelin, chief executive officer of the bank.

Handelsbanken revealed on Thursday that it faced total losses of SKr394m (\$64.8m) on index options as the result of illegal trading activities of two employees who were fired last month.

The bank's insurance policy will cover losses of up to SKr200m.

Handelsbanken's equity losses are not eligible for insurance cover.

Handelsbanken has declined to say what the losses will have on full-year profits.

Banks' protests hit PWH rescue

By Peter Bruce in Bonn

EFFORTS to rescue PWH West German producer of heavy materials-handling equipment, are being slowed down by the refusal of angry creditor banks to wipe out half the group's DM335m (\$197m) debt.

PWH was pushed close to bankruptcy last month by its parent company, the Otto Wolff engineering and trading group, which had said that it was no longer prepared to continue providing financial assistance.

PWH made operational losses of DM1128m last year, and a further DM108m in the first nine months of this year.

Japanese steels begin recovery

By Carla Rapoport in Tokyo

JAPAN'S STEEL industry is on the road to recovery after suffering its worst year of losses since the war. In the six months to September, leading Japanese steel makers cut their losses dramatically by closing excess capacity and shedding thousands of jobs.

As a result, most of the steel companies expect to achieve a break-even position or move into profit by the end of the current fiscal year. The recovery of the industry once again underlined the remarkable speed with which Japanese industry can adjust to changes caused by the appreciation of the yen. The improvement was also helped, however, by a boom in the construction industry at home.

Nippon Steel, Japan's largest steel maker, yesterday reported a move back into profits at the operating level for the six month period and said it hoped to eliminate the red figures at the pre-tax level by the end of year. The company is in the process of reducing its capacity from 34m tonnes to 24m tonnes and trimming its 65,000 workforce by 19,000 jobs.

Exports fell by 8.6 per cent in the six months.

Nippon Kasei showed a similar trend for the period, with losses before special credits and charges falling to Y2bn from Y5.3bn in the same six months a year earlier. Sales in the period dropped by 11 per cent to Y481bn. The company, which is reducing its dependence on steel and moving into fine ceramics and chemicals, said it aimed to be in the black pre-tax level by the year's end.

Kawasaki Steel said its gross margin jumped from 9 per cent to 14.6 per cent for the first six months, allowing it to reduce pre-tax losses to Y2bn against Y8.1bn a year earlier. Sales in the period dropped by nearly 8 per cent to Y43bn, with exports down by nearly 20 per cent.

"Combined with the projected pick-up in sales, the crash efforts to restructure and regain a cost edge are expected to allow (Kawasaki) to restore profitability during the second half, one year ahead of schedule," the company said yesterday.

Kobe Steel also cut its losses in the period, showing a Y1.1bn loss in the period compared with Y8.2bn last year. Sales were down by 11.7 per cent in the six months. The company said, however, that it was unlikely it would emerge from losses in the full year.

Lorimar profits suffer from heavy writedowns

By Anatole Kaletsky in New York

LORIMAR TELEVISION, the troubled Hollywood film studio which has been unravelling ambitious plans to build a media conglomerate on the foundation of its successful television series, suffered further setbacks in its latest quarter.

The company announced an after-tax loss of \$51.2m or \$1.22 a share, compared with a loss of \$2.2m or five cents the year before. The loss, most of it due to writedowns in the estimated value of its motion pictures, reduced Lorimar's net worth to about \$830m. This was almost one-third lower than Lorimar's equity of \$460m a year ago. The company's share price, which reached a peak of \$12.30 a year ago, yesterday fell \$4 to \$8.40.

The company said that \$45m of the last quarter's losses were due to reserves taken against the value of five films produced by its motion picture division. This at the end of June.

CSR launches two bids for timber concerns

By our Sydney correspondent

AUSTRALIA'S CSR group, which has interests in building products, sugar and resources, yesterday announced its second double-move this week when it revealed an A\$17m (US\$12.6m) takeover bid for two timber companies.

The announcement, described by CSR as a significant strategic move, came only three days after the group disclosed the A\$110m acquisition of two building materials companies in North America.

CSR said it would offer A\$2.40 for each share of one company, Softwood Holdings. This is a vertically integrated group which grows radiata pine trees and manufactures and sells particle board and plywood.

For the second company, Timber Holdings - the main attraction of which is a 16.3 per cent holding in Softwoods - CSR said it would offer A\$2.76 a share.

"The combined value of the two offers is A\$317m," CSR said

in a statement. "Adjusted for the cross-holding between Softwoods and Timber Holdings the cash offer by CSR will total about A\$276m."

The group said the offers were equivalent to a price earnings ratio of 24 times 1987 earnings, which in the case of Softwoods were down 32 per cent on non-equity accounted 1986 earnings.

Calling the offers "generous," Mr Ian Burgess, shortly to assume full duties as chief executive, said the two companies would enhance CSR's range of products by adding sawn timber, plywood and treated wood, and fitted perfectly with its existing timber products.

The takeover bids followed quickly after purchases made on Thursday of 8.4 per cent of the capital of Softwoods and 19.9 per cent of Timber Holdings.

The two companies are controlled by three families: the Abergones, Gunnersens and le Messuriers.

TNT produces 43% rise in first quarter

By our Sydney correspondent

TNT, THE Australian-based international transport group, has shown a 43.7 per cent increase in first quarter profits as the market recovered last ground for the second year running. This was half of their peak level of A\$7.02.

In his chairman's address, Mr Fred Miller said the TNT group was as strong and as healthy now as it was immediately prior to the fall in the market.

He said it had A\$630m in disposable cash, cash equivalents and committed undrawn long-term credit facilities, while Ansett Transport Industries, the airline operation half owned with Mr Rupert Murdoch's News group, had another A\$220m.

An optimistic Sir Peter said that the transport sector was, by its nature, protected against recession, and that TNT profits had always increased in previous economic downturns.

He was not expecting a recession, however, and in his view Australia and TNT were well-positioned to emerge as winners in the present local and worldwide economic climate.

He confirmed yesterday that the monorail project, a cause for heated popular objections, would only be completed "a few months" late and at some 50 per cent over-budget - A\$65-60m, as against A\$55-60m.

The monorail had been due to start in mid-January, in time for Australia's bicentennial celebrations. It links the city centre with the nearby Darling Harbour project, completion of which has also been held up.

WORLD COMMODITIES PRICES

INDICES

Index	10 Nov	11 Nov	12 Nov	13 Nov	14 Nov
1000	10764	10764	10764	10764	10764
1000	10764	10764	10764	10764	10764

LONDON MARKETS

COPPER PRICES bounced back on the London Metal Exchange yesterday following the sharp retreat from the record highs reached on Wednesday. A 275.50 rise lifted the cash position to 21,435.50 a tonne, up 235 on the week but still 234.50 below Wednesday's close. The market's renewed strength was attributed to further gains in the New York Commodity Exchange (CME) against a background of continued extreme tightness of supplies available for nearby delivery. This was reflected in the widening of the cash premium over three months copper to 2240 a tonne from 2182.50 at the end of last week. At one time the "backwardation", as this premium is known, reached an unprecedented 2320. The zinc market was also strong yesterday, with a 220 rise lifting the cash position to 2499 a tonne, up 251.50 on the week. Dealers thought the rise was due to speculation that the improved fundamental background would encourage European producers to raise their list prices for the metal. Further encouragement was given by bullish chart patterns and fears of a tightening supply situation, they added. This aluminium market's recent misery was relieved somewhat yesterday by a 223 rally which lifted the cash standard to 2391 a tonne. But that still left the price 243.50 down on the week, in spite of the appearance of some bullish fundamental factors.

LONDON METAL EXCHANGE (Prices supplied by Associated Metal Trading)

Commodity	Unit	10 Nov	11 Nov	12 Nov	13 Nov	14 Nov
Aluminium, 99.7% purity (per tonne)		1850.75	1810.30	1820/1800	1830-45	1840-60
Cash		1850.75	1810.30	1820/1800	1830-45	1840-60
3 months		1850.75	1810.30	1820/1800	1830-45	1840-60
Aluminium, 99.5% purity (per tonne)		1850.75	1810.30	1820/1800	1830-45	1840-60
Cash		1850.75	1810.30	1820/1800	1830-45	1840-60
3 months		1850.75	1810.30	1820/1800	1830-45	1840-60

SPOT MARKETS

Commodity	Unit	10 Nov	11 Nov	12 Nov	13 Nov	14 Nov
Crude oil (per barrel FOB December)		16.50-16.65	16.50-16.65	16.50-16.65	16.50-16.65	16.50-16.65
WTI (per barrel)		16.50-16.65	16.50-16.65	16.50-16.65	16.50-16.65	16.50-16.65
WTI (per barrel)		16.50-16.65	16.50-16.65	16.50-16.65	16.50-16.65	16.50-16.65

COMMODITY PRICES

Commodity	Unit	10 Nov	11 Nov	12 Nov	13 Nov	14 Nov
Gold (per ounce)		485.45	485.45	485.45	485.45	485.45
Silver (per ounce)		16.50	16.50	16.50	16.50	16.50
Copper (per tonne)		21435.50	21435.50	21435.50	21435.50	21435.50
Zinc (per tonne)		2499.00	2499.00	2499.00	2499.00	2499.00

COMMODITY PRICES

Commodity	Unit	10 Nov	11 Nov	12 Nov	13 Nov	14 Nov
Aluminium (per tonne)		1850.75	1810.30	1820/1800	1830-45	1840-60
Cash		1850.75	1810.30	1820/1800	1830-45	1840-60
3 months		1850.75	1810.30	1820/1800	1830-45	1840-60

COMMODITY PRICES

Commodity	Unit	10 Nov	11 Nov	12 Nov	13 Nov	14 Nov
Crude oil (per barrel FOB December)		16.50-16.65	16.50-16.65	16.50-16.65	16.50-16.65	16.50-16.65
WTI (per barrel)		16.50-16.65	16.50-16.65	16.50-16.65	16.50-16.65	16.50-16.65
WTI (per barrel)		16.50-16.65	16.50-16.65	16.50-16.65	16.50-16.65	16.50-16.65

COMMODITY PRICES

Commodity	Unit	10 Nov	11 Nov	12 Nov	13 Nov	14 Nov
Gold (per ounce)		485.45	485.45	485.45	485.45	485.45
Silver (per ounce)		16.50	16.50	16.50	16.50	16.50
Copper (per tonne)		21435.50	21435.50	21435.50	21435.50	21435.50
Zinc (per tonne)		2499.00	2499.00	2499.00	2499.00	2499.00

COMMODITY PRICES

Commodity	Unit	10 Nov	11 Nov	12 Nov	13 Nov	14 Nov
Aluminium (per tonne)		1850.75	1810.30	1820/1800	1830-45	1840-60
Cash		1850.75	1810.30	1820/1800	1830-45	1840-60
3 months		1850.75	1810.30	1820/1800	1830-45	1840-60

US MARKETS

In exclusive trading gold and silver finished marginally higher following early trade buying, reports from London. Platinum fell on local selling and silver rose on buying. Copper rose on pre-weekend book-squeezing. Cocoa rose on commission house selling touched off sell-steps around \$1850, basis March, but short-covering pared losses. Origin-type selling and commission house long-liquidation eased sugar in the face of scale-down trade buying. Cotton was again sharply higher as trade and commission house buying broke resistance at 68.50c, basis December, touching off cash. Corn futures were lower reflecting lack of physical business and lower dressed beef prices. Live hogs eased in early trading then firmed as traders anticipated higher demand for ham, this despite current weakness in cash hogs. Pork bellies traded indifferently. Commercial buying in soybeans, commission house buying in soybean meal and technical buying in soy oil firmed prices. Maize steady in response to the steady soy complex and on anticipation of further Soviet interest. Wheat, on the other hand, eased as it was reported that the Soviet Union would only be buying 500,000 tonnes, less than was anticipated.

New York

COMMODITY PRICES

Commodity	Unit	10 Nov	11 Nov	12 Nov	13 Nov	14 Nov
Gold (per ounce)		485.45	485.45	485.45	485.45	485.45
Silver (per ounce)		16.50	16.50	16.50	16.50	16.50
Copper (per tonne)		21435.50	21435.50	21435.50	21435.50	21435.50
Zinc (per tonne)		2499.00	2499.00	2499.00	2499.00	2499.00

Chicago

COMMODITY PRICES

Commodity	Unit	10 Nov	11 Nov	12 Nov	13 Nov	14 Nov
Aluminium (per tonne)		1850.75	1810.30	1820/1800	1830-45	1840-60
Cash		1850.75	1810.30	1820/1800	1830-45	1840-60
3 months		1850.75	1810.30	1820/1800	1830-45	1840-60

COMMODITY PRICES

Commodity	Unit	10 Nov	11 Nov	12 Nov	13 Nov	14 Nov
Crude oil (per barrel FOB December)		16.50-16.65	16.50-16.65	16.50-16.65	16.50-16.65	16.50-16.65
WTI (per barrel)		16.50-16.65	16.50-16.65	16.50-16.65	16.50-16.65	16.50-16.65
WTI (per barrel)		16.50-16.65	16.50-16.65	16.50-16.65	16.50-16.65	16.50-16.65

WORLD STOCK MARKETS

NEW YORK

November 12	Price	Change
NYSE Composite	2,468.74	+1.25
AMEX Composite	1,000.00	+0.00
NYSE 30	2,468.74	+1.25
NYSE 100	2,468.74	+1.25
NYSE 500	2,468.74	+1.25
NYSE 1,000	2,468.74	+1.25
NYSE 1,500	2,468.74	+1.25
NYSE 2,000	2,468.74	+1.25
NYSE 2,500	2,468.74	+1.25
NYSE 3,000	2,468.74	+1.25
NYSE 3,500	2,468.74	+1.25
NYSE 4,000	2,468.74	+1.25
NYSE 4,500	2,468.74	+1.25
NYSE 5,000	2,468.74	+1.25
NYSE 5,500	2,468.74	+1.25
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NYSE 7,000	2,468.74	+1.25
NYSE 7,500	2,468.74	+1.25
NYSE 8,000	2,468.74	+1.25
NYSE 8,500	2,468.74	+1.25
NYSE 9,000	2,468.74	+1.25
NYSE 9,500	2,468.74	+1.25
NYSE 10,000	2,468.74	+1.25

November 12	Price	Change
NYSE Composite	2,468.74	+1.25
AMEX Composite	1,000.00	+0.00
NYSE 30	2,468.74	+1.25
NYSE 100	2,468.74	+1.25
NYSE 500	2,468.74	+1.25
NYSE 1,000	2,468.74	+1.25
NYSE 1,500	2,468.74	+1.25
NYSE 2,000	2,468.74	+1.25
NYSE 2,500	2,468.74	+1.25
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NYSE 4,000	2,468.74	+1.25
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NYSE 7,500	2,468.74	+1.25
NYSE 8,000	2,468.74	+1.25
NYSE 8,500	2,468.74	+1.25
NYSE 9,000	2,468.74	+1.25
NYSE 9,500	2,468.74	+1.25
NYSE 10,000	2,468.74	+1.25

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NYSE Composite	2,468.74	+1.25
AMEX Composite	1,000.00	+0.00
NYSE 30	2,468.74	+1.25
NYSE 100	2,468.74	+1.25
NYSE 500	2,468.74	+1.25
NYSE 1,000	2,468.74	+1.25
NYSE 1,500	2,468.74	+1.25
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NYSE 9,500	2,468.74	+1.25
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NYSE 10,000	2,468.74	+1.25

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NYSE 8,000	2,468.74	+1.25
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NYSE 8,500	2,468.74	+1.25
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NYSE 8,500	2,468.74	+1.25
NYSE 9,000	2,468.74	+1.25
NYSE 9,500	2,468.74	+1.25
NYSE 10,000	2,468.74	+1.25

WALL STREET

Stocks fall in sluggish trading

WALL STREET stocks continued to decline in sluggish trading. Concern about the Federal budget talks weighed on investor sentiment and failed to inspire an extension of the upward momentum of Thursday. A slight decline in bond prices also kept investors edgy.

The Dow Jones Industrial average, up 61 points on Thursday, ended at 2,468.74. It was downgraded by Merrill Lynch to a "moderate" rating from "strong" because of competition with a new Merck drug.

CANADA

Toronto stock prices were mixed at mid-session after moving in a narrow range throughout the first half of the day.

The composite index was off 5.00 points at 2,004.00 on heavy turnover of 13,500,259 shares. However, gaining issues led the losing issues 423 to 274.

In a surprise move, TransCanada Pipelines announced a C\$8.75 per share bid for Enbridge Energy. Enbridge was up C\$4.14 on volume of 24,112 shares.

On the active list, B.C. Forest was up C\$4 to C\$16.4, Dome Petroleum advanced C\$1.50 to C\$20.5, Canadian Pacific slipped C\$4 to C\$20.4, Alcan fell C\$4 to C\$20.4 and Wards dropped C\$4 to C\$16.4.

The Toronto Gold Index surged 148.1 points to 6,388.0 with the aid of Echo Bay Mines, up C\$14 to C\$148.1, and the gold resources of 47.9 to 739.5.

The local market was buoyed by 60-point plus rises in New York and London following be-

CANADA

November 12	Price	Change
NYSE Composite	2,468.74	+1.25
AMEX Composite	1,000.00	+0.00
NYSE 30	2,468.74	+1.25
NYSE 100	2,468.74	+1.25
NYSE 500	2,468.74	+1.25
NYSE 1,000	2,468.74	+1.25
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NYSE 7,500	2,468.74	+1.25
NYSE 8,000	2,468.74	+1.25
NYSE 8,500	2,468.74	+1.25
NYSE 9,000	2,468.74	+1.25
NYSE 9,500	2,468.74	+1.25
NYSE 10,000	2,468.74	+1.25

AUSTRIA

November 12	Price	Change
NYSE Composite	2,468.74	+1.25
AMEX Composite	1,000.00	+0.00
NYSE 30	2,468.74	+1.25
NYSE 100	2,468.74	+1.25
NYSE 500	2,468.74	+1.25
NYSE 1,000	2,468.74	+1.25
NYSE 1,500	2,468.74	+1.25
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NYSE 8,000	2,468.74	+1.25
NYSE 8,500	2,468.74	+1.25
NYSE 9,000	2,468.74	+1.25
NYSE 9,500	2,468.74	+1.25
NYSE 10,000	2,468.74	+1.25

BELGIUM/LUXEMBOURG

November 12	Price	Change
NYSE Composite	2,468.74	+1.25
AMEX Composite	1,000.00	+0.00
NYSE 30	2,468.74	+1.25
NYSE 100	2,468.74	+1.25
NYSE 500	2,468.74	+1.25
NYSE 1,000	2,468.74	+1.25
NYSE 1,500	2,468.74	+1.25
NYSE 2,000	2,468.74	+1.25
NYSE 2,500	2,468.74	+1.25
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NYSE 7,000	2,468.74	+1.25
NYSE 7,500	2,468.74	+1.25
NYSE 8,000	2,468.74	+1.25
NYSE 8,500	2,468.74	+1.25
NYSE 9,000	2,468.74	+1.25
NYSE 9,500	2,468.74	+1.25
NYSE 10,000	2,468.74	+1.25

DENMARK

S&P 500	5,920		Linde	446	+14	Bojler & Pils	
Holabird	5,670		Lebanon	128		Carlin (Fres)	
Wells	5,558	+30	MAI	123		Electronix B	
Veritas	5,275	+20	Marathon	105		Elcom	
Pan Holdings	10,800	+300	Microchip Intl	505	+25	Emule	
Petroleum	9,400	+500	Montgomery	22		Eni Oil Drilling	
Equity Trile	9,300	+10	Montreal Bank	1,100	+18	Envirotech	
Reggie Retail	4,750	+30	Shofor	104		Seaboard (Sov)	
Rex Gas Bldg	2,520	+10	Persico	245	+15	Stanley	
Wells	9,000		Petrol	137		Standard	
Safety	6,000		Public West	227		Stamps Int	

CURRENCIES & MONEY

LONDON STOCK EXCHANGE

Gilt-edged and equities close lower

FOREIGN EXCHANGES

Dollar shows late fall

The US dollar showed a late fall in currency markets yesterday as news that US budget talks had finished without success removed some of the nervousness seen earlier in the day as traders had been reluctant to carry exposed positions over the weekend for fear of being caught out by any weekend agreement between Congress and the President.

US trade figures for September were mildly bullish but only because they were slightly less dreadful than expected and as such provided little basis to become optimistic about dollar prospects.

The dollar closed at DM1.6880 from DM1.6890 and Y138.50 compared with Y138.40. Elsewhere it finished at SFr1.3975 from SFr1.3975 and FF6.7250 from FF6.7250. On Bank of England figures, the dollar's exchange rate index was 97.0 from 96.8.

STERLING-Trading range

against the dollar in 1987 is 1.7950 to 1.4710. October average 1.6620. Exchange rate index 76.3, unchanged from the opening and Thursday's close. The six months ago figure was 72.0.

Sterling was confined to a narrow range ahead of the weekend. An unexpected fall in UK industrial production and a rise in the inflation rate appeared to have little effect.

The pound closed at \$1.7885 from \$1.7875 and DM2.9850, unchanged from Friday. It was firmer against the yen at Y340.25 from Y339.75 and closed elsewhere at SFr2.4550, unchanged from Friday. The dollar's trading range against the dollar in 1987 is 1.9305 to 1.6590. October average 1.8011. Exchange rate index 150.6 against 147.0 six months ago.

There was no intervention by the Bundesbank at yesterday's

fixing in Frankfurt when the dollar was fixed at DM1.6925 compared with DM1.6892. Trading tending to support the dollar ahead of the weekend but many dealers were convinced that a further depreciation seemed to be almost inevitable unless recent efforts to cut the US budget deficit exceeded all expectations.

JAPANESE YEN-Trading range against the dollar in 1987 is 159.45 to 134.20. October average 143.27. Exchange rate index 227.9 against 226.4 six months ago.

Trading remained rather nervous in Tokyo but the dollar finished the day showing a small improvement as sentiment remained mildly bullish. While remaining unacceptably high September's US trade deficit was at the better end of expectations.

The dollar closed at Y138.50 up from Y138.40 in New York and Y134.80 in Tokyo on Thursday.

THE CAUTIOUS recovery of confidence in the UK securities markets slackened off somewhat yesterday as the City accepted that the US budget deficit negotiations are likely to continue into next week. Equities ran into profit-taking from the opening as institutional investors stayed away, leaving the traders to avoid taking on stock ahead of the weekend. Gilt, with buying enthusiasm now on the wane, slipped lower in thin turnover.

The share market sagged by 42 FT-SE points at mid-session although trading conditions were described as "fairly quiet". There was little response from either equities or Gilt to the latest UK Retail Price Index or Industrial Production figures.

However, the share market, displaying its concentration on the outside of the Atlantic, did respond to the US Retail Sales and Producer Price statistics.

At the close, the FT-SE 100 index was 24.2 down at 1078.3, with the market traders showing no distress as the market dipped through the 1700 level again.

The index has climbed 3.6 per cent this week, as the rally in the UK with City analysts generally improving prospects for action on the US trade and budget deficits. The market has now recovered 7.3 per cent from the low point of the current shakeout, but shows a fall of 27 per cent since Black Monday, October 19.

The stock market was enlivened at first by the planned \$383m deal under which Hong Kong and Shanghai Bank will take a 20 per cent stake in Midland. The news reached London early, but initial details were uncertain. Shares in Midland surged ahead but closed off the top with City analysts generally taking a favourable view of the proposed terms. Other bank shares also rose sharply at first but proved unable to sustain their early gains after some profit-taking. A group of British cardiologists gave the drug a favourable report after taking the unusual step of halting the clinical tests because the benefits disclosed in data testing made it "unethical" to deny it to some patients in the test group.

Dr Arnab Banerji of Nomura Securities regards the Enimone news as "very positive" for Beecham, which will announce interim results next week. Beecham, reacting swiftly to Genentech's success, put its UK clinical results in front of the Federal

authorities yesterday, hoping to be allowed to sell Enimone in the US by 1989.

Analysts are bullish ahead of Beecham's half-year figures, due on Thursday, and the share price moved up from 178m, with Mr Sieve Plag of Salomon Bros topping the list with a forecast of 19 per cent rise to 185m. US holders were selling Beecham on the 250p.

Genentech announcement but analysts hope for further news on Enimone prospects on Thursday. Midland Bank shares bounded ahead on the news that Hong Kong and Shanghai Bank has agreed to raise its stake in the UK clearer to 14.9 per cent. After touching 425p initially, the shares settled down to close 30 up on the day at 388p. Turnover was heavy, with 10m shares changing hands.

Once it was clear that no full bid was on the cards, the market responded favourably to the news of the proposed deal, which indicates a minimum price of 475p a share for the Midland shares - a premium of 30 per cent on the market price ahead of the Hong Kong bank's announcement.

While it was clear that negotiations between the two banks still have some way to go, investors were making some initial hedge bets on Hong Kong at the moment, "anyhow", was the view in the marketplace. The Midland Bank/Hong Kong & Shanghai news triggered an immediate mark up in the other leading banks but

was followed by widespread profit-taking and general selling and the Barclays settled a net 13 lower at 450p. NatWest were 11 lower at 570p. Lloyds, initially edged up to 552p, regarded as the most vulnerable of the banks, apart from Midland, held on to an early gain of 5 and closed at 250p.

Royal Bank of Scotland dipped 10 to 310p amid diminished bid hopes. Standard Chartered, where Robert Holmes a Court's 15 per cent holding is thought to be for sale, perhaps at forced sale prices, were 5 cheaper at 433p.

Merchant banks bid hot and cold. A new magazine article suggested a possible takeover of Morgan Grenfell by Deutsche Bank drew a sharp denial from Morgans who said they were not in merger talks with Deutsche or any other bank. Morgan shares quickly slumped to 218p but later rallied to close a net 12 off at 233p.

Commercial Union, where Adamson's John Spalvin is believed to have been behind the 6 per cent stake unveiled by CU last week, fell sharply to 300p at one point yesterday, unsettled by the lower than expected profit figures but later recovered to close a net 15 off at 313p. Royal, whose third quarter figures also failed to come to analysts' forecasts and where there were fears that the Spalvin 6 per cent stake may be reduced in the near future, dipped back 15 to 388p. County NatWest recommended a switch elsewhere in the sector but Wood Mackenzie rate Royal a "buy" rating. The high yield good dividend growth prospects and high dividend cover. General Accident, despite better-than-expected figures earlier in the week, eased 25 to 520p. The estate dollar left insurance brokers with minor falls across the board. Dewey Warren, where Robert Holmes a Court has a direct 42 per cent stake and the latter's vehicle for expansion in financial services in the UK, failed to sustain the recent rally and dropped 18 to 103p.

Advice from broking house Wood Mackenzie that leading brewers were a major defensive play because of a combination of modest ratings and a low risk profile led on deaf ears. With the general drift in market values and on the back of falling Gilt, news gave up 7p at 259p. Allied-Lyons ended 6 cheaper at 333p while Whitebread "A", least favoured of the major stocks, lost 5 to 269p. One or two Regional houses bought and J.A. Devenish rose 5 more to 257p. Bodington improved to 132p, despite a "sell" recommendation.

ICI fell 10p to close a net 4 off at 510p. The move in the most active stock in the stores sector and attracted a turnover of over 11m shares amid rumours that the near 8 per cent stake, held by Australia's Robert Holmes a Court, comprising around 120m shares is in the process of changing hands, via a placing, or tender. There was also talk that the holding could have been passed on to Hanson Trust. Shares dipped sharply to 124p early in the day but later rallied to close a net 4 1/2 off at 128 1/2p.

Barton Group, reporting preliminary results on Thursday, were also a weak market reflecting market rumours of adverse comment in the week-end Press, and fell 13 to 219p.

Harrier's share price was a firm market and rose 7 to 116p on vague talk of a stake-building operation and takeover speculation.

QBE remained a highly active market - turnover yesterday of almost 4m shares followed a 25m turnover on Wednesday and 20m business on Thursday; there is a considerable two-way pull in the stock with a handful of powerful UK houses said to have changed from being bullish to neutral on the stock in recent days and rumours of further imminent disclosure on investigation into the Marconi subsidiary. But there is still strong support for the shares in the market and yesterday they were only a net 1 1/2 off at 171p.

Ferranti, where Citicorp's Sir George Vickers have been good buyers over the past few days, added 4 at 81p.

Many Engineering resisted the prevailing dull tone, including GKN which edged forward 5 further to 276p. Lesser known stocks worthy of men-

tion were B.Elliott, 9 up at 72p, and Edbro, 15 higher at 183p. Resumption of the on-off talks between Batecliffe Industries and United Spring lifted the latter 6 to 73p. Analysts' comments on Thursday's figures helped Scavney Industries harder to 144p. County NatWest said the interim profits were ahead of expectations and rate the stock a "hold" for its defensive qualities. Poor interim figures took William Cook down 10 to a low for the year of 100p.

Internationals, good performance over the previous three trading sessions as the dollar rallied, turned easier amid persistent, but generally modest profit-taking. Gilt ran back 4 to 210p, and Fisons eased 5 to 238p. Wellcome, one of the market's best performers on Thursday when the group announced a 35 per cent profit jump, shed 4 to 342p, after 335p. London International, also after excellent figures earlier in the week, gave up 7 to 124p. Hanson lost 5 to 129p, while Boots, scheduled to announce interim on Wednesday, were a fraction off at 230p. Ahead of third quarter figures on Monday, Unilever were a firm market and finally 3 higher at 229p. Anglo, initially edged up to 552p, regarded as the most vulnerable of the banks, apart from Midland, held on to an early gain of 5 and closed at 250p.

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2 IN NEW YORK

Nov 13	Latest	Previous
2 spot	1.7965-1.7975	1.7960-1.7970
1 month	1.7965-1.7975	1.7960-1.7970
3 months	1.7965-1.7975	1.7960-1.7970
6 months	1.7965-1.7975	1.7960-1.7970

Forward premiums and discounts apply to the US dollar.

STERLING INDEX

Nov 13	Latest	Previous
8.30 am	75.3	75.1
11.00 am	75.3	75.2
1.00 pm	75.3	75.1
3.00 pm	75.3	75.1
4.00 pm	75.3	75.1

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LONDON SHARE SERVICE

MINES—Continued

Stock	Price	+ or -
MegaMetric Mkt.	21	+1
Yuhua Mines NL	60	+5
Wichitama Min 20c	7	+1
Winn Dev Gold ST	25	+5
Wintona Edm Mkt 20c	178	+10
Wolverine NL 25c	26	+3
Worldwide Pacific ADP 20c	63	+3
Wyandottan 25c	32	+4
Xcel Energy Ex 50c	23	+4
Yukonana Minerals NL	265	+35
Zenith Resources Min 20c	25	+2
ZIMM Mining 50c	58	-6
Zimmerman's Expl 25c	4	+1
Zirconium Secs 25c	14	+2
Zirconium Bldg 20c	14	+2
Zoro-Norway Res NL	55	-5
Zurich B HSH 50c	90	+6
Zinc, Kaptun	37	+1
Zinkowide 50c	10	-2
Zynco Corp's NL	15	+7
Zynga Acct Mining 25c	100	-2
ZyngaTech 25c	72	+1
Zynga Resources NL	27	+2

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FINANCIAL TIMES

Saturday November 14 1987

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Ortega unveils Contra peace plan

By Stewart Fleming, US Editor, in Washington

PRESIDENT Daniel Ortega of Nicaragua yesterday presented proposals for a ceasefire in the war with the Contra rebels to the designated mediator, Cardinal Miguel Obando y Bravo, at a meeting at the Vatican Embassy in Washington. Mr. Ortega, Speaker of the House of Representatives, was also present.

The move followed an initiative by Mr. Wright to inject momentum into the Central American peace process. His action cuts across the Reagan Administration approach and has angered the White House.

The Administration's position on the Central American peace process, spelt out in a speech to

Latin American foreign ministers by President Ronald Reagan on Monday, is that the US is not ready to get involved in direct talks with the Nicaraguan Government until serious negotiations with the Contras are underway. Washington has said it would then be prepared to meet representatives of the Central American states, including a Nicaraguan Government official.

On Thursday, as Mr. Wright held a separate meeting with President Ortega and Contra representatives, the State Department said: "We do not think it is desirable for the United States to inject itself directly into the ceasefire talks."

President Ortega arrived in Washington earlier in the week for a speech to the Organisation of American States. Top administration officials including President Reagan, have refused to meet him.

Mr. Ortega said before the meeting that the plan would give the Contras "all the securities and guarantees that they need." He said it was "very flexible and aimed at being effective."

Mr. Wright's bold and controversial decision to take a high-profile position on the Central American conflict has given him the opportunity to influence a major foreign policy issue at a time when congressional Demo-

crats are being more aggressive in pressing their foreign policy views.

Senators Sam Nunn and Carl Levin appear to have succeeded in forcing the White House to moderate its position on tests for the Strategic Defence Initiative. Congress had threatened to use its power of the purse to force the White House to stick to the narrow interpretation of the 1972 Anti-Ballistic Missile Treaty and limit tests for SDI. Faced with this possibility the Administration, it has been reported, has agreed not to undertake tests which would conflict with the narrow interpretation of the ABM treaty for one year.

Bonn ready for higher budget deficit next year

By David Marsh in Karlsruhe

THE WEST German Government is prepared to run a higher budget deficit next year if necessary to support the economy. Mr. Gerhard Stoltenberg, the Finance Minister, said yesterday.

His comments came at the end of the latest biannual Franco-German summit in Karlsruhe at which Bonn and Paris agreed to improve co-operation in defence, economics, telecommunications and rail transport.

A Franco-German economic and financial co-ordinating committee is to be set up in January, in addition to the planned inter-governmental defence council, to strengthen the political axis between Bonn and Paris.

Mr. Stoltenberg's remarks fell short of a commitment to take fresh measures to expand the economy. But they point to a slight thaw in Bonn's fiscal policy in view of the problems facing the world's economy after the turbulence on financial markets.

Mr. Stoltenberg ruled out bringing forward to 1988 planned 1990 tax cuts - a move urged by critics of Bonn's policies. However, he indicated he would allow next year's budget deficit to overshoot from the planned DM 30bn (\$10bn) if the sluggish economy depressed tax revenues below projected levels.

Mr. Helmut Kohl, the Chancellor, said details of the co-ordinating committee had still to be decided. The committee would be independent of the Bundesbank and would be involved in talks on setting it up.

President Francois Mitterrand hinted strongly that France would like to see the new body of the signing of the European Monetary System. At the joint press conference he urged "reinforcement" of the EMS as one way of increasing the role of the world monetary stage.

A joint communiqué at the end of the talks affirmed moves to develop security links between the two countries.

As the Franco-German troop brigade of four battalions is to be based in the southern German state of Baden-Wuerttemberg, Mr. Mitterrand said the brigade's structure had yet to be worked out.

The two sides hope to agree details by the time the two governments celebrate in January next year the 25th anniversary of the signing of the Ellysée Treaty of 1963.

In other decisions yesterday a joint agreement on developing a joint anti-bank heist unit, which has been under discussion for several years.

Agreed to set up an optical fibre cable link between Karlsruhe and Mulhouse in south-east France, and to develop a joint telephone handset. These moves have also been under discussion.

Reaffirmed support for a Paris-Brussels-Cologne high speed train link. Railway chiefs have been asked to produce firm plans by March 1.

THE LEX COLUMN

Eastern promise for Midland

Midland Bank has done it again. The one British clearing bank which has always been big on ideas, and short on performance, has come up with another gem. Its agreement to sell 14.9 per cent of itself to the Hongkong and Shanghai Banking Corporation has all sorts of fascinating implications, and whilst this has no doubt been said about many of Midland's earlier ill-fated business ventures, the proposed 'working business partnership' with the Hongkong Bank is a potentially very powerful combination.

The long-term possibilities of combining Midland's strong position in the UK, and to a lesser extent in Europe, with the Hongkong Bank's dominant place in the Far East and North America (through Marine Midland Bank), could produce a global banking giant which would give rivals such as Barclays, NatWest and Citicorp a run for their money in the commercial banking arena.

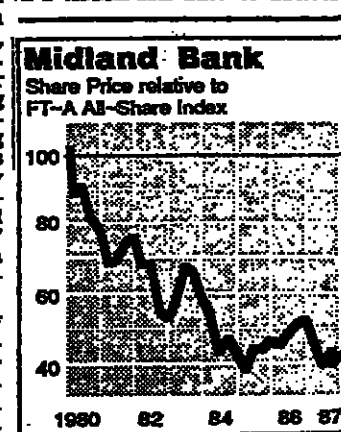
On the capital markets side, Hongkong Bank's James Capel, Midland's Greenwell Montgomery and a couple of US primary dealers, could produce an investment bank with impressive credentials. At the moment, all of this is very much a dream, and Midland Bank has stressed that it is by no means certain that it wants to go all the way and merge with the Hongkong Bank. However, the ball has been set rolling.

As banking ventures go, the deal makes more sense than most. It is no secret that the Hongkong Bank is keen to build its presence in Europe and after its ill-fated bid for the Royal Bank of Scotland in 1982, it has indicated that it is prepared to play by the rules and not upset the Bank of England again.

Meanwhile, Midland gets close to \$400m of new capital - making it the best capitalised UK bank - and has acquired a major shareholder which has promised not to try and increase its investment for three years, at least. It has been given a breathing space to prove once and for all that it can put its house in order.

Nevertheless, the price has been high. The Hongkong Bank is buying into Midland at net asset value, or around seven times next year's earnings. In addition, its investment will yield around 8.7 per cent. Four years ago this would have looked an exceedingly cheap price, and there are no doubt some banks that will be wondering whether it is worth trying to top the Hongkong offer. However, the Bank of England does

FT Index fell 11.7 to 1317.1



In the UK there is a growing belief that another base rate cut can only follow an international lead. The Bank of England is clearly concerned by the risk of cutting rates, and next week's money supply figures are expected to show another high level of bank lending. The US authorities appear ready to take greater risks on inflation than the UK in their bid to avert recession, which in the longer term cannot be good for the bond market. The outlook is no clearer now than it was a week ago. And the equity market rally, which sucked in buyers on Wednesday and Thursday, may attract as many sellers still anxious to reduce their exposure to shares.

Share options

The argument that executive share option schemes are a capricious reward for managerial effort has suddenly become rather more popular with many of the executives in question. With particularly cruel timing, the market crashed just days before the first opportunity to exercise options established under the 1984 Finance Act. Many individuals are left in the uncomfortable position of having to calculate whether it is worth borrowing a hefty sum of money to realise options with a radically diminished premium to the original striking price, and with buyers hard to find. Those who can afford to wait no doubt will, and see for a year, but others will be locked into commitments made on the back of expected profits. The wealth effect, especially in the property market, could here be at its sharpest.

Markets

Week four of the stock market crash has been a little less uncomfortable than the previous three. Equity prices have still been volatile, with the European markets suffering badly early in the week at the hands of foreign investors. Bonds have traded in a narrower range, and in the currency markets the US dollar has at last found some sort of stability, however fragile. Yet the week has been marked not by events but the lack of them. The expectation of an agreed deal to cut the US budget deficit has neared and receded almost hourly until the decision yesterday afternoon by the negotiators to break for the weekend.

Whether cuts in the US budget deficit would solve the continuing crisis is debatable, but it is enough that the markets think they are necessary. Once the US politicians agree, there is the hope of a 0.75 per cent interest rate cut, which would have a significant impact on the exchange rates following rapidly. That is probably over-optimistic, since finance ministers are too smart to call a meeting until they are sure of agreeing some withdrawal of existing options and reissue them at the new lower prices should certainly be resisted by the Investor Protection Committee, whatever the unfair advantage to never recruits to schemes.

Option of talks with ANC is kept open

By Tom Lynch and Michael Holman

THE BRITISH Government yesterday kept open the option of talks with the African National Congress in spite of the recent denunciation of the South African anti-apartheid body as a terrorist organisation by Margaret Thatcher, the Prime Minister.

At last month's Commonwealth summit in Vancouver Mrs Thatcher appeared to reverse the Government's policy of contact with the congress which has included meetings at ministerial level with Mr Oliver Tambo, its leader.

Mrs Lynda Chalker, Foreign Office Minister of State, said in the Commons yesterday that contacts with the ANC would continue. She was speaking following a meeting earlier in the day between an ANC delegation and a senior Foreign Office official.

She did not rule out the possibility that the congress would have further meetings with ministers but said the prospect was hypothetical. Such meetings would require a change of circumstances.

"It is right that officials continue from time to time to meet with ANC representatives," she said in a debate on South Africa.

She said yesterday's meeting was low-key and courteous. It had been requested by the congress to discuss the dropping of charges last month by the Director of Public Prosecutions alleging a plot by three men to kidnap London members of the organisation.

The congress delegation, led by Mr Solly Smith, its London representative, had not raised the outcome of the Commonwealth heads of government meeting at Vancouver, the Prime Minister's criticism of the congress as a "terrorist organisation" or the British Government's refusal to implement further sanctions against South Africa, Mrs Chalker said.

Emphasising that meetings with the congress took place only as and when necessary, she told MPs: "We use every such occasion to encourage the ANC to forebear violence, but we do understand the black frustrations."

The congress's military wing has been responsible for a growing number of attacks in South Africa.

A congress statement said the meeting was cordial. It said congress had expressed concern about the dropping of the kidnap-case charges.

Torres clash on South Africa, page 4

Inflation rate showed sharp increase to 4.5% last month

By Ralph Atkins

BRITAIN'S INFLATION rate showed an unexpectedly sharp rise last month, but the Government remains confident that it will fall by the year end.

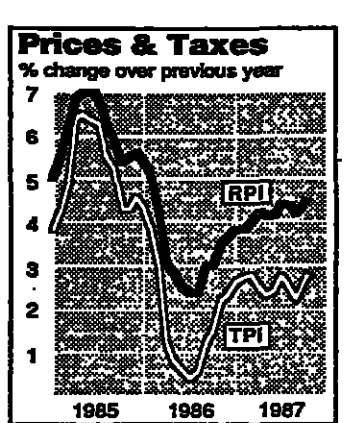
The Retail Price Index rose by 0.5 per cent last month, according to Employment Department figures issued yesterday, pushing the annual rate up to 4.5 per cent, the highest since February last year.

Other official figures issued yesterday showed that Britain's manufacturing output continued to rise strongly in the three months to September, taking its growth since the corresponding three months last year to 6 per cent.

The upturn in the inflation rate follows price rises for a wide range of products, particularly seasonal foods and leisure services. Fuel prices fell following gas price cuts, but tobacco and alcoholic drink prices rose significantly.

Mr Norman Fowler, Employment Secretary, none the less repeated the forecast made by Mr Nigel Lawson, the Chancellor, in his Budget statement. This was that the annual inflation rate would fall to an average of 4 per cent in the last three months of the year.

The rate is likely to moderate this month because retail prices



will be compared with last November when prices were rising particularly fast. The upward pressure will be eased further next month by recent mortgage rate cuts.

According to Employment Department statistics an average mortgage rate cut of 1 per cent would reduce the Retail Price Index by 0.4 per cent.

Last month's figures disappointed City economists who were expecting little change on September's annual rate of 4.2 per cent. The upturn is likely to

trigger worries about the delay-inflationary consequences of recent strong output growth.

Britain's inflation rate is still ahead of several of its main industrial competitors. Figures show that in September annual inflation rates were: West Germany 0.4 per cent, Japan 1.1 per cent, France 3.2 per cent and the US 4.3 per cent.

Separate figures published by the Employment Department yesterday show unit wage cost in manufacturing industry continued to rise into this second half. The upturn reflects a slowdown in output growth, but strong upward pressure on wages.

In the three months to September the index of wages and salaries per unit of output was 1.5 per cent higher than in the corresponding period a year before.

It compares with a 1.2 per cent rise for the three months to August.

Mr Fowler said the recent rise could have undesirable side-effects. "The main danger to a continuing reduction in unemployment by wage settlements being too high."

Manufacturing productivity in the three months to September was 6.9 per cent higher than the corresponding period a year before.

Manufacturing output, Page 4; Editorial comment, Page 6

Eurotunnel ready for flotation

By Richard Tomkins

EUROTUNNEL, the Anglo-French group building the Channel Tunnel, yesterday cleared the last hurdle to the £770m stock market flotation on which the future of the £4.7bn project depends.

Its British and French advisers said they had received enough firm indications from institutional investors to be confident that the issue would be fully underwritten. This clears the way for the launch of the share offering on Monday.

The flotation is crucial to the project because Eurotunnel cannot draw loan finance for construction of the link until the shares have been sold. There had been fears that the stock markets crash would quell interest.

Some 220m Eurotunnel units (each comprising one British share and one French share) are

to be sold at 360p a unit. Of these, 202m are to be split evenly between London and Paris and the remaining 18m will be sold in other international markets.

The international tranche has already been firmly committed. Salomon Brothers will place about 1.8m units in the US, Nomura Securities will place about 4.7m units in Japan, and the rest will be placed on the Continent, the Middle East and other countries.

The prospectus for the UK shares offering - one of the lengthiest ever published - will appear in the Financial Times and the Daily Telegraph on Wednesday.

Warburg Securities, one of Eurotunnel's UK advisers, said between 30 and 60 per cent of the units available to UK investors

would be placed with institutional investors in advance. That means there will be room to satisfy only about 60,000 applications from private investors asking for 1,000 units each.

In Paris, shares are distributed largely through the banking system on a first-come, first-served basis. Banque Indosuez, one of Eurotunnel's French advisers, said it expected about 80 per cent of the French tranche to go to members of the public.

In London, City opinion on the issue is sharply divided. Kinast & Aitken, the stockbroker, is advising investors not to buy the shares because it says the likely returns are inadequate to justify the risk. However, James Capel, another stockbroker, says the risk is exaggerated.

Weekend FT, Page IV

Scargill Continued from Page 1

the candidate who would most effectively challenge Mr Scargill in the key Yorkshire coalfield, as he could run only if a majority of branches in the area nominated him. However, he said he would not campaign to win the Yorkshire nomination.

While Mr Walsh is likely to win the support of a large number of branches in North Yorkshire, he said it was likely that

the area as a whole would nominate Mr Scargill. The 32,000 Yorkshire miners account for a third of the union's total.

However, Mr Walsh said: "I never say never, and things can change from day to day."

Over the next few days Mr Walsh will come under increasing pressure from within the Yorkshire area, from other areas opposed to Mr Scargill, and from his long-time allies within the union such as Mr Trevor Bell, the leader of its white-collar section, to reconsider his position.

Mr Scargill's critics believe he will face a groundswell of opposition but they acknowledge that without Mr Walsh as a candidate

it would require a nationally recognised figure backed by a professional media campaign to unseat him.

Mr Des Duffield, the South Wales miners' leader who has been Mr Scargill's foremost critic, is expected to come under pressure to stand from his area's monthly delegate conference on Monday.

Although Mr Duffield has not ruled out standing, he is reluctant to leave South Wales. Mr Terry Thornton, another well-known South Wales official, and Mr Eric Clarke, the Scottish miners' leader, are also reluctant to run.

Share prices Continued from Page 1

Speaking in London after talks with Mr Nigel Lawson, the Chancellor, Mr Wilson said that for the moment at least government moves were likely to "mark time" on interest rates.

The major trade imbalances in the world economy could not be corrected through monetary policy alone and a meeting of the seven major nations was called for an appropriate fiscal and structural policies.

The timing of a G-7 meeting was impossible to predict because such talks should be well-prepared in order to reach an accord which would restore confidence into the foreign exchange and stock markets, he said.

For the London market it was a week which saw the pendulum swing from gilt-edged securities back to equities, as investors gained confidence that share prices had fallen too far too quickly and now looked good value.

Yields on long-dated gilts rose from a low of 8.9 per cent on Monday afternoon to close yesterday at 9.31 per cent as investors switched back into equities when it became plain that the

authorities would not sanction another cut in bank base rates.

Although the equity market closed slightly lower yesterday most analysts felt it was a natural correction after two days of substantial gains and that the outlook for UK shares was still good. The FT Ordinary share index closed 14.8 points lower at 1314.

Earlier the Tokyo stock market had posted its third biggest gain ever, as investors took heart from Thursday's reports that President Reagan was close to agreement with the US Congress on measures to cut the budget deficit.

The Nikkei index of leading shares rose 11.75 points to close at 22,448.25, recovering virtually all the ground lost earlier in the week.

In London the dollar closed slightly weaker on the day at DM1.6580 compared with DM1.6580 on Thursday, and at Y135.90 compared with 135.40 previously.

The pound closed at \$1.7685 compared with \$1.7575 on Thursday, and at DM2.9850, unchanged from Thursday.

Continued from Page 1 Hongkong

may seem rather high. On the one hand, a couple of months ago we would probably have had to pay more than that," he said.

Analysts in Hong Kong generally concurred with Mr Gray's views.

As for the timing of the Midland move was influenced by the turmoil affecting world financial markets since the October 19 crash, Mr Gray said: "That was probably the case."

Hongkong Bank will have no difficulty funding the acquisition. It raised HK\$3.3bn (\$240.57m) via a rights issue in March and between July 1985 and June 1986, raised US\$1.2bn (\$81.8m) on the London capital market.

Some analysts in Hong Kong suggested that the acquisition could be part of a cautious strategy designed to safeguard the bank against any political problems that might emerge in the territory prior to China resuming sovereignty in 1997.

"I think you can sensibly read something into that," said one Hong Kong analyst. He pointed out that under Mr Purves, who took over from Sir Michael Sandberg last December, the bank's overseas assets had grown from about 40 per cent to nearly 50 per cent with the recent acquisitions.

Analysts in both London and Hong Kong predicted that the investment would eventually lead to a merger. A Hong Kong analyst said: "I don't think it's impossible that Hongkong Bank could be reversed into Midland Bank, even though Midland is only two-thirds its size. Hongkong Bank would then have a UK registration."

Mr Gray said the bank had simply "satuated the market in Hong Kong" and that substantial expansion had to be overseas. Asked whether further acquisitions were likely, he said: "I don't think anything is ruled out. We'd like to see how this partnership works out."

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WORLDWIDE WEATHER

City	Temp	Wind	Cloud	City	Temp	Wind	Cloud
Algeria	20	10	10	London	15	10	10
Amman	20	10	10	Madrid	15	10	10
Amsterdam	15	10	10	Moscow	10	10	10
Ankara	20	10	10	Munich	15	10	10
Athens	20	10	10	Nairobi	20	10	10
Bahia	20	10	10	Rangoon	25	10	10
Bangkok	25	10	10	Reykjavik	10	10	10
Beijing	15	10	10	Rome	15	10	10
Bombay	25	10	10	Sao Paulo	20	10	10
Buenos Aires	20	10	10	Seoul	15	10	10
Calcutta	25	10	10	Shanghai	15	10	10
Cardiff	15	10	10	Singapore	25	10	10
Cebu	25	10	10	Sofia	10	10	10
Chengdu	15	10	10	Stockholm	10	10	10
Colon	25	10	10	Taipei	20	10	10
Dhaka	25	10	10	Tokyo	15	10	10
Dublin	15	10	10	Ulaanbaatar	10	10	10
Edinburgh	15	10	10	Yokohama	15	10	10
Hankow	15	10	10				
Hong Kong	25	10	10				
Kobe	15	10	10				
Kuala Lumpur	25	10	10				
Lahore	25	10	10				
London	15	10	10				
Lyons	15	10	10				
Manila	25	10	10				
Mexico City	20	10	10				
Moscow	10	10	10				
Mumbai	25	10	10				
Nairobi	20	10	10				
Rangoon	25	10	10				
Reykjavik	10	10	10				
Rome	15	10	10				
Sao Paulo	20	10	10				
Seoul	15	10	10				
Shanghai	15	10	10				
Singapore	25	10	10				
Sofia	10	10	10				
Stockholm	10	10	10				
Taipei	20	10	10				
Tokyo	15	10	10				
Ulaanbaatar	10	10	10				
Yokohama	15	10	10				

WEEKEND FT

Saturday 14/Sunday 15 November 1987

MARKETS • FINANCE & THE FAMILY • PROPERTY • TRAVEL • MOTORING • DIVERSIONS • HOW TO SPEND IT • BOOKS • ARTS • TV

Work by living British artists is suddenly fashionable, with the salerooms challenging the galleries for a share in the profits. Antony Thorncroft reports on the phenomenon

'I know what I like'

AMONG THE GRIMY, decaying workshops of Shoreditch, and along the far, unfashionable reaches of the New King's Road, around the raffish side streets of the Portobello market and in the riverside chann of Richmond they can be found the new art galleries of London. They are the most tangible manifestations of what for generations was regarded as impossible: a boom in demand for contemporary British art.

Most of the galleries will fail. Often they are opened by enthusiastic patrons of young artists, more concerned with developing fresh talent than with lining their own pockets. But they are starting British artists off on a path - an increasingly well trodden path - which leads to international acclaim, museum immortality, and the big money ostentatiously paid in the smart salerooms of New York.

Howard Hodgkin is just one recent example. He was selected to represent the UK at the prestigious Venice Biennale art show in 1984. In 1985 he won the Turner Prize, established by the Tate Gallery to promote British art. His work now hangs in the Tate, and his global value was confirmed last week when Sotheby's sold for \$220,000 in New York his portrait of Mr and Mrs Philip King.

Hodgkin's work was not alone in fetching high prices. It was a tense occasion; one which would tell the art world whether modern art, the most feeble, unrooted sector of the world's stock markets and the impoverishment - at least on paper - of some of its keenest buyers. In the event all went well, especially for British artists. A Francis Bacon pastiche of a Velasquez portrait of Pope Innocent X sold for \$1.32m, at Christie's, and a long panel by R.J. Kitaj went for \$308,000. "Day fishing in Heraklion", which helped Michael Morley to win the first Turner Prize in 1984, found a new home (through Sotheby's) at \$398,000.

These three are not the only ones, among living British artists, to have vaulted \$100,000 barrier for a canvas. David Hockney, Lucian Freud, Leon Kossoff, Frank Auerbach and Gilbert & George are either well over or fast approaching this mark. British art is suddenly fashionable throughout the world, with the pyramid at the top nourishing the aspirants below.

Leslie Waddington, agent of the British dealers, has four galleries in Cork Street, the tiny Mayfair thoroughfare which is the traditional centre of the contemporary art scene. He spells out the extent of the boom. "My turnover will exceed \$20m this year, and my profits \$3m. These are double the figures for 1986. About three quarters of the growth is linked to rising prices; the rest is natural". It is rare for a dealer to be so specific about his accounts, but Waddington's rivals confirm his experience. Nicholas Logsdail, who runs the Lisson Gallery which has successfully made the international reputations of a new generation of British sculptors such as Tony

Cragg and Richard Deacon, says his turnover has doubled every year since 1981. Another leading supporter of the avant garde, Nigel Greenwood, confines himself to admitting "a considerable increase in turnover", while Angela Flowers, prominent among the middle rank galleries, says: "Our turnover in the last month is three times our turnover for the whole of 1981."

There is also unanimity about where this British art is going. It is going abroad. All the leading British dealers sell up to three quarters of their artists' output overseas, mainly to Americans, who are reckoned to absorb about half the total market. But the Japanese were buying in New York last week - which should provide some reassurance if the American economy sickens. Another important breed of buyer who is also to some extent protected from the

Worldwide demand for British artists obviously has a beneficial effect, but it also carries some disadvantages...

vagaries of the real world is the museum director. More museums have been opened in the past five years than in all the preceding 50; and with British art all the rage they are big buyers in London. After the recent Gilbert & George show at the D'O'ffay Gallery, examples of the couple's work were on their way to the Metropolitan Museum in New York and to the museum of Detroit.

There is more local buying by about half a dozen of the recently successful British entrepreneurs and by foreigners living in London. Charles Satchell, who owns perhaps the best collection of contemporary art in the world, is given much credit for bringing British eyes to the art of the day, although with his own eye so perfected he tends to go direct to the artist, bypassing the dealers. Also, London's pivotal geographical position is important. As dealer Anthony D'Offay says: "40 per cent more people pass through London than New York". Any art-buying American visiting London will look at what's on offer in Cork Street and its environs, and so will his continental counterpart.

But why? Why should British art suddenly have this international appeal? Part of the success is an illusion - good 'local' artists, American and European, are selling just as well in New York and Cologne, the other two leading art markets. Interest in art is on the global scale, just as the higher profits made until recently on the stock exchanges and by business in general have been global, at least in the western industrialised world. But - leaving aside the over-riding importance of surplus wealth in pushing up prices - there has undoubtedly

been a re-assessment in favour of British art.

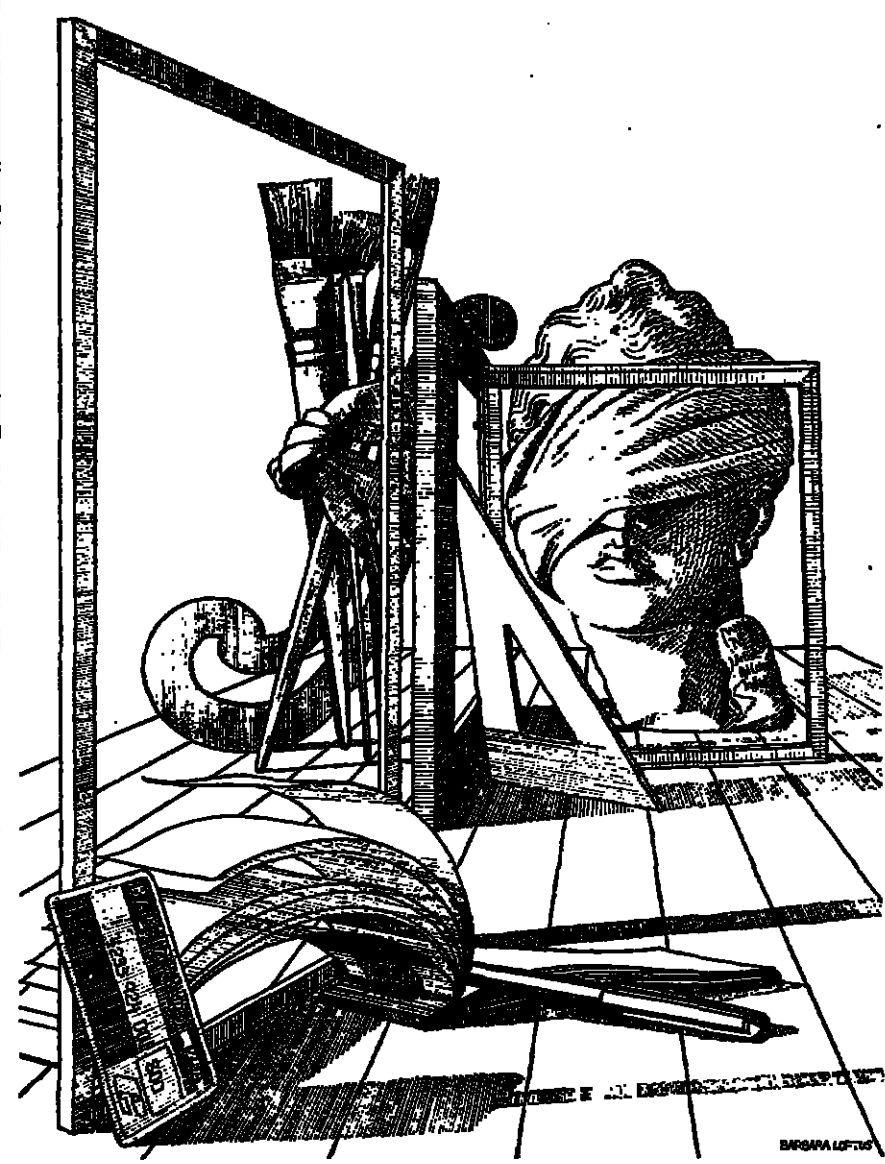
This is when the dealers reach for their dictionaries. "I believe the idea of contemporary art fulfils some spiritual function in people's lives. In the past we built great cathedrals; now we build great museums. People worship in galleries as they used to worship in churches." So says Anthony D'Offay. He thinks that over the past couple of years the British have been able to place their trust in the present. While Americans have always lived for the future, traditionally the British lived in the past. This could be changing.

Nigel Greenwood attributes it to qualities in British art. "It has a continuity in relationship to history," Nicholas Logsdail refers to "a coming of age of an educational process which started in 1900 with modernism," helped by the UK tradition of producing great sculptors. Whatever the reasons, British art has been internationalised. This means good profits for the dealers, who take in commission at least a third of the sale price of a work of art. But it also makes their job that much harder. The top British artists tend to have studios abroad, and like to have shows in their New York or German retreats. This means British dealers splitting commission with foreign dealers. The artists also need more servicing. They expect to have money advanced against their work - which can then be a long time coming. They are also more prepared to switch galleries if they get a better offer; middle rank dealers complain that Cork Street cheque books can cream off the market. (This is a New York practice which is just reaching London.)

For all the present hassle, the dealers have one inestimable bonus from the current high prices commanded by their strings of artists: large caches of early work. Most dealers agree to buy a certain number of canvases and sculptures from their artists if these are not snapped up by collectors at their exhibitions. The inexpensive Hodgkin, John Hoyland, Peter Blake and Patrick Caulfield acquired by Leslie Waddington ten years ago and more are now among his most valuable assets.

Worldwide demand for the top ten British artists obviously has a beneficial effect, but it also carries some disadvantages. There is little incentive for the established dealers to find and develop new talent; they can live well off their past successes - who are very time-consuming anyway. Few dealers admit to visiting the art school shows: they believe that artists need at least five years in the real world to shake off imitative tendencies and develop their own style. But it is a pity that some of the wealth made in the last few years cannot be diverted to encourage young artists.

So far the dealers have not noticed any immediate impact from the stock exchange collapse. They are perhaps more concerned about another threat to their



hegemony - from the auction houses, especially Sotheby's and Christie's, which have quickly come to dominate the contemporary art market in New York and are now switching their attention to London.

By a bizarre chance the artists and dealers themselves helped to kick-start the salerooms' greater interest. Last July 2 Sotheby's organised a charity auction to raise funds for the Whitechapel Gallery - the gallery generally given credit for playing an important part in popularising British art. Artists generously donated work and dealers and key collectors bid enthusiastically, with the result that extraordinary prices were paid: the sale made more than \$1.3m. A Hodgkin sold for \$155,000; a Sean Scully fetched \$32,000; a Carl Richards went for \$18,000. Among the foreign artists, a Kiefer was bought by D'Offay for \$300,000, and a Schnabel went for \$55,000. Sotheby's got the message: contemporary art can be sold in London. "There have been many auctions in the past, but for last Wednesday's sale Sotheby's did all the steps, billing it as the first since 1945 to concentrate on British art. In the event, though nearly 30 per cent went unsold, prices for top British names were pretty well on target: a Hodgkin gouache with a top estimate of \$10,000 went for \$12,100; Patrick Heron's "Fall Brown" fetched \$18,500; a Leon Kossoff oil

carrying a \$50,000-\$70,000 estimate sold for \$66,000.

The dealers acknowledge that the salerooms do an excellent job in promoting contemporary art through their auctions - but, as Leslie Waddington says, "they make massive profits from art but put nothing back." Anthony D'Offay adds: "The salerooms can never replace the dealer. One is concerned with the presentation and reputation of artists; the other with value and profit."

But the salerooms do pose a challenge. They have been known to make a direct approach to artists, suggesting that they offer works for auction. This presents the dealers with a tricky problem. Most dealers see it as part of the job to buy some of the unsold work of their artists: it is also in the dealers' interests to establish the highest possible prices for their artists' output. Should dealers bid at auction for their artists' work? Many do - not so much to push up the price as to show confidence. (Kossoff, who built his reputation and fortune on David Hockney, says: "I can't bid, it's impossible high prices for Hockney's work at auction. It would persuade more owners to sell his paintings, and I would have to spend a fortune underwriting the market.") Sometimes dealers have tried to establish an unknown artist's reputation at auction by getting an associate to bid

against them to create a newsworthy price. But such unreal reputations hardly last the day.

The international fame of a handful of British artists has undoubtedly had a knock-on effect down the line. While the contemporary art auctions were under way in New York the Contemporary Arts Society in London, dedicated to promoting modern British art in public galleries, commercial companies, and to the population at large, was holding its annual four-day sale of the work of more than a hundred artists, mainly young; a market spiced with contributions from the likes of Hoyland and Bridget Riley, but all on offer at prices below £700. With queues forming well before the doors were opened, 400 works of art were sold for £132,000 on the first day alone. By the end of the second day the fair had topped the previous year's four-day total. By Saturday over 3,000 people had attended, and many will have bought works from the constantly replenished walls.

The guiding spirit of the Contemporary Arts Society, Caryl Hubbard, is well placed to reflect on the current art scene. "30 years ago very few galleries showed young artists. Now it's not very difficult for them to get an exhibition. The artists, too, are much more realistic. In the past, when you went round the college shows you would find the students asking unbelievable prices for their work, mainly because they did not believe in selling it. Art was not seen as a consumer product. All that has changed. Now artists want to sell."

But if the artists are in danger of underpricing their pictures and sculptures to secure patrons, the galleries have steadily raised their commission - from an average of a third of the selling price to nearer 50 per cent. This can push the work of quite young artists to the \$1,000 mark - and into consumer resistance.

The galleries justify their higher charges by pointing to their costs. Rent and rates on a tiny display space in central London eat up \$30,000 a year; the cost of employing two assistants adds on another \$20,000. Printing catalogues, paying for the drinks at ten exhibitions a year, and publicity, will consume at least another \$20,000. You need to sell an awful lot of works of art to recoup your expenses. Hence the tendency to move to cheaper peripheral premises, dealing from home and relying on fairs to drum up new custom; and devices such as mixed shows, where you push through the work of jobbing artists for a smaller commission but even less commitment.

If there is a recession, the art market is bound to suffer at every level. Museums might keep buying; there is growing interest from commercial companies, who are being educated to acquire contemporary art when furnishing their offices (the CAS is currently advising on a major project); and the international demand for British art, to some extent, spreads the risks. But the lower and medium ends of the market rest on the young, fashionable, educated executives with spare cash to spend on embellishing their homes, who now dare to buy contemporary art. One dealer estimates that there are only a thousand Britons prepared to spend over £1,000 on a work of art. This is probably an underestimate - but art is still seen as a luxury.

At the moment a calm has descended upon the art world, but not for Caryl Hubbard. She has been asked to supply work from six British artists for an international exhibition in Frankfurt. The names were drawn up and the artists approached. All are currently too busy to prepare works for the show.

Virtue has its own rewards

THE FIRST stage, at least, of the equity market crash is over. In place of more or less indiscriminate selling around the world, fundamental value has started to be a factor again.

This week the London market bounced upwards, while the bigger Continental markets such as Germany and France suffered a second crash. Wall Street reacted as well, but Tokyo, which has suffered less than most, has been under pressure. The foreigners are largely out of the Tokyo market, and the Japanese a clear field to support their market in their own very special way, but Japanese equity market ratings remain an anomaly in global terms which will have to be ironed out some day.

As the cheap buyers moved back into the London market this week, sniffing at single-figure price-earnings ratios and finding sound companies on yields of 6 and 7 per cent, the question is whether we have seen the bottom. I suggest it is still a time to be cautious. The long-termers among the institutions may be happy to accumulate at these levels, but they have their own special definition of a profit.

When can a profit be a loss, and vice versa? Let me explain. The past few weeks have seen not so much a crash as the over-dramatic correction of an anomaly. At the end of September the UK equity market was showing a rise of pretty nearly 50 per cent inside twelve months. But by the middle of this week the All-Share Index was trading very nearly in line with its year-before level.

Such a correction has a violent effect on the relative performances of investment institutions. For nine months of this year fortune has favoured the aggressive trend-chasers heavily invested in equities, especially stocks of the smaller, more speculative variety. The more heavily that pension funds, for instance, were invested in equities rather than other assets such

The past few weeks have seen the over-dramatic correction of an anomaly. Barry Riley suggests that it is still a time to be cautious



crash can be attributed to a vain attempt by investors around the world to switch from equities to bonds all at once. The result was a vertical drop in equity prices, and only slightly less vertical rise in bonds, and a remarkable whiplash effect on the relative performances.

The key here is that institutional investors do not primarily measure their performance in absolute terms, but only relative to either a stock market index or (in the case of mixed asset portfolios) to the average performance of similar funds. So a fund manager can be perversely content if his portfolio has gone down 20 per cent, but that of his average competitor has tumbled by a quarter. In his terms, he has made a profit. He will be even more happy if stocks have come back into his buying range. This week some of these institutions decided that opportunities were again opening up.

A rule-of-thumb is that UK equities are worth buying when the average dividend yield is between 5 and 5 1/2 per cent, which is the long-run average. You can easily still lose money for a while if yields subsequently rise further to 6 or 7 per cent, but history says that you can confidently look forward to showing a profit before too long. Equally, history says that if you buy equities when the market yield is between 2 and 3 per cent you are likely to be out of pocket for quite a few years. It could be significant that when the London market touched a low point after Tuesday's early morning markdown it bounced strongly off an average dividend yield level of very nearly 5 per cent. Does the appearance of such buyers therefore mean that the market has bottomed? Unfortunately it isn't as simple as that.

Although some of the long-term institutions may be happy to accumulate in the knowledge that their relative performance has abruptly moved from below average to above average, the more aggressive

fund managers are not in such a fortunate position. It looks as though even the average exposure of UK pension funds to UK and foreign equities reached close to 80 per cent at the end of September, and although the fall in equity values will have reduced this subsequently, many funds will feel themselves overweight in such uncertain circumstances.

There must be a temptation for managers to indulge in window-dressing during the next few weeks so as to be able to present a more balanced spread of assets to their trustees by the end of the year. That would mean selling equities and buying gilts. Then there is the problem of unit trusts. They are not long-term but increasingly short-term institutions, selling themselves on the basis of absolute performance rather than in relation to indices (which they rarely beat).

Although the trusts bravely claim that they have yet to be hit by massive waves of redemptions, the fact is that a great deal of money has been drawn in during the past year by the prospect of quick profits and it is going to be very hard to retain the faith of investors on the basis of 1987 performance statistics.

Fortunately the supply side of the equation looks more favourable for shares in London. The UK market has been milked on a huge scale during the first ten months of the year by companies financing US acquisitions and by the Government. This will now stop. But the possibility of a world recession has hardly been addressed. At the moment, most professional investors do not believe there will be one. Earnings projections have been cut by 3 to 5 per cent for next year, but mainly as a reflection of the fall in the dollar.

Perhaps we shall indeed escape without serious economic problems. But there are bound to be serious upsets in the months ahead and there is a lot more room for pessimism to damage share prices yet.

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MARKETS

A hop and a skip, but still jumpy

IT WAS called a market bounce back, but it was more like a nervous, faltering hop. London staged a small rally in the middle of this week, though the initial auspices had hardly seemed favourable. The FT-SE 100 index closed on Monday night at its lowest level since Black Monday - 1666.2 - as uncertainty over the US budget deficit and the dollar continued to hang heavy over the market, and by Tuesday morning the index was as low as 1616.

But then came a change of sentiment and a three-day rally which by Thursday night had taken the FT-SE 100 back over 1700 for the first time this month.

Several factors contributed to this fleetingly more positive tone. One was a perception that UK equities were now looking reasonably priced.

The argument received some underpinning from good news of results during the week from several blue chip stocks, notably J Sainsbury, the grocery chain (interim pre-tax profits up 22 per cent), BOC, the gases group (which revealed it was fully hedged this year against any fall in the dollar), and Wellcome, the drugs company.

But since the crash company results have had a pretty marginal impact on share prices. A more telling influence on the market this week was the sud-

den re-appearance of corporate predators (who had been lying low since Black Monday) both to launch bids and to build up share stakes. If they were back, the argument, there must be bargains around.

Granada, the television and leisure group, had the distinction of being the first company to launch a major takeover bid since the collapse of the markets when it unveiled a \$220m offer for Electronic Rentals, a rival in the television and video rental business.

London

But equities' gain was the gilt market's loss, as institutional investors, who had fled to the comparatively safe haven of bonds in the wake of the crash, began switching funds back to shares.

With the equity rally reducing the chances for a further base rate cut, the yield on high coupon loans, which had dropped as low as 8.97 by Tuesday night, rose once more above 9 per cent.

However, the extreme fragility and volatility of the markets was underlined again yesterday, when worse than expected retail price index figures combined with more gloomy news on the US budget deficit to send London into reverse.

There is no hope of any stability until the talks between the White House and Congress on a budget deficit compromise have run their course. Until then, all it needs is President Reagan to cough for the markets to be convulsed.

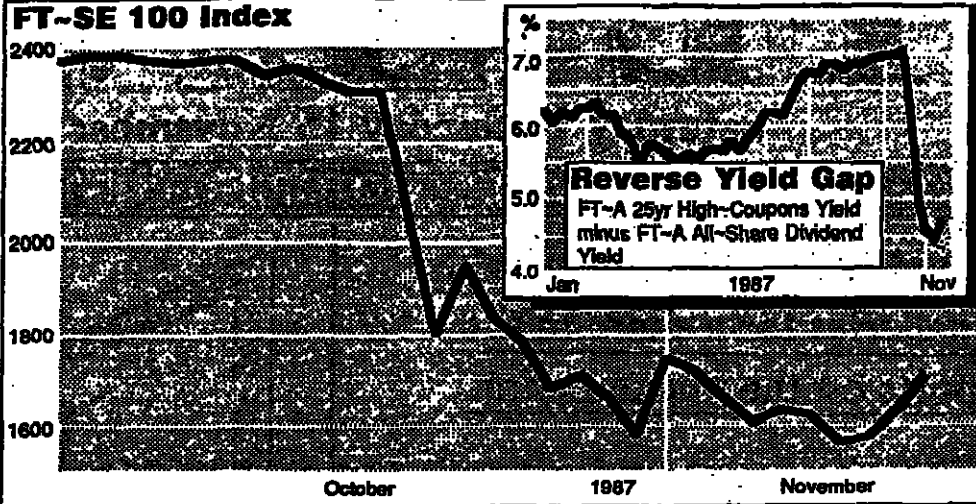
Against this background, anyone attempting to make a measured, fundamental analysis of the UK equities market is rather like a comedian soliciting a crowd in the face.

Everyone is looking for a market floor, from which magical point equities are supposedly certain to bounce upwards. But as the market has seen-sawed in a downwards direction, so the perceived floor level has fallen. Some of the latest circulars suggest it may be around 1500 on the FT-SE 100.

As for the upside, City analysts continue to stress a well-worn message that the UK is in far better health than almost any other major economy and that on a long-term view equities look good value.

As Ian Harwood and Nick Whitman of Warburg Securities this week went so far as to predict that the FT-SE would reach 1900 by the year-end, they point out that at around 16 per cent the yield gap between gilts and equities is now at the lowest point for 13 years.

Others are rather more cautious. Bob Semple of Wood Mack-



enzie argues that a climb to 1900-2000 is plausible, but only over the next year and "it will be a long, slow haul getting there."

But with 80-point jumps in a day, the commonplace - either up or down - and with so many international economic unknowns, the markets could quickly prove the pundits wrong.

That said, the tentative revival of takeover activity does suggest a greater degree of stability in the markets. Yesterday brought forth an important link-up between Midland Bank and the Hongkong & Shanghai Banking Corporation, which is taking a 14.9 per cent stake in the troubled UK clearing and co-operating bank in the development of their international businesses.

The week produced other interesting stake-building exercises. General Cinema, the US business with interests ranging from theatres to soft drink bot-

ling, staged a market raid to buy nearly 10 per cent of Cadbury Schweppes, the confectionary and soft drinks group, lifting its stake to just over 18 per cent.

General Cinema said it had no immediate intention of making a bid for Cadbury and trotted out the ritually non-committal line that the shares were bought for investment purposes.

The American company's strategy is a mystery. It is much the smaller of the two businesses and a bid from it seems unlikely in the present climate, particularly since Cadbury has done more to put its house in order over the past two years. And General Cinema could hand its share package on to another bidder, the disposal of the full stake would mean unravelling a \$110m bond convertible into Cadbury shares.

Meanwhile, the Monopolies Commission has given British

Airways the green light to take over British Caledonian, provided it gives up BCal's licences on five domestic and three European routes.

There will now follow a scramble among independent airlines to take over the routes, and a tussle over the price BA should pay for BCal in the wake of the market's collapse.

The outcome is a clear victory for Lord King, BA's chairman, who has got most of what he wanted in secret negotiations with the Monopolies Commission, and it will substantially strengthen the airline's muscle.

That will be good news for investors in BA, but whether the demise of Britain's second aviation force is good for travellers is another matter.

Martin Dickson

A slow start, could do better

THE NEWS that the Third Market index, compiled by Credit Suisse Buckmaster & Moore, had fallen below its base level of 100 last week makes this a good time to review the progress of the Stock Exchange's newest tier.

The market began trading in January in an attempt to attract companies too small for the US or the main market and those companies which had previously traded on the Over-the-Counter Market, outside the aegis of the Stock Exchange.

Early hopes for the market's growth were optimistic. Peat Marwick, the accountancy firm, was looking for 120 companies to join by the end of its first year; Touche Ross was hoping for 200. The Stock Exchange was initially predicting between 15 and 25 companies trading on the first day.

Nine months after the market's opening, the number of stocks being traded is 28, just above the upper end of the Stock Exchange's first day hopes.

Why has progress been so slow? It obviously takes time for a market to become accepted. The USM also had a slow start, gradually building up momentum as investors and companies grew in enthusiasm.

Initial estimates of the market's growth were based on the assumption that a large number of OTC stocks would switch to the new tier. Under the City's new regulatory system, only securities firms registered with a self-regulatory organisation will be able to make markets in stocks. That looks likely to exclude one or two over-the-counter market makers.

However, the regulations have yet to come into force and few OTC stocks have yet made the switch. Perhaps, also, the quality of some OTC companies has not been high enough to persuade stock exchange firms to act for them as Third Market sponsors.

The slow start might be a good thing, according to David Macnamara, the director in charge of

LAST WEEK'S CHANGES

The following table shows the change in the FT 30-share index and its constituents over the past week. The FT-SE index is also shown

	Price	Change	1987	1987
	year-end	since	High	Low
	1317.1	+43.1	1926.2	1232.8
FT 30 Ind				
ASDA-MPI	162	-1	226.4	142.6
Allied-Lyons	333	+3.4	471	290
BICC	291	-7	406	269
BOC	364	+36	559	308
BTR	257	+14	374	228
Beecham	454	+29	589	268
Biscuits Inds	350	+26	579	280
Blues	236	+1	329.4	215
British Gas	129	-5	200	106
BP	247	+1	416	238
British Telecom	231	+14.4	357	208
Col Schepers	228	+21	291	119
Comet	327	-4	535	302
GECC	171	-12	251	164
Glen	116	+4	139.6	99.6
Grand Met	383	+23	465	348
GKN	275	+37	434	235
Glaxo	259	+13	389	233
Hammes Trust	129	-2	195.6	116
Haworth S&A	489	+10.4	636	377
ICI	110.4	+4	134.6	97.6
Lacus Ltd	518	+32	795	465
Marks & Spencer	195	+10.6	289.4	179
NatWest Bank	575	+17	794	498
P & O	474	+1	776	425
Plessey	148	+3	255	135
Plumtree	368	-38	595	345
Tate & Lyle	654	+53	944	560
Thorn EMI	494	+48	630	436
Trusthouse Forte	197	+17	253	172
FT-SE 100 Index	1678.3	+57.6	2463.4	1666.1

the USM and the Third Market at County Securities, which makes markets in the vast majority of Third Market stocks.

"It is better to ensure that the companies that have joined the market are of the right quality rather than let a flood of lesser quality companies join the market and ruin its reputation," he says.

In the short term, in the wake of the stock market crash, the number of companies on the market is unlikely to increase substantially. Bear markets are bad times for new issues,

Junior Markets

although Propeller risked joining the market last week and Tomorrow's Leisure is set to do so on Monday.

The crash, which has seen the Third Market index plunge from over 160 to under 100, has illustrated the illiquidity of such stocks. "Although we haven't seen a great wave of selling," says Macnamara, "there has been a distinct lack of buyers." As a result, prices have inevitably been marked down.

So how have the initial band

of hopefuls, the eight companies which started trading on the market's first day, fared so far? Eglinton Oil & Gas, the Irish exploration company, initially represented over 80 per cent of the market's capitalisation; after opening at 44p, it moved swiftly up to 89p.

However since then, despite returning to the black in this year's first half figures, the shares have followed a relentless downward plunge to their current level of around 18p.

Aberdeen American Petroleum, another oil and gas exploration company, has also seen its share price plummet below the opening 94p, despite announcing sharply reduced interim losses.

Unit Group, the timber pallet manufacturer which was the first Business Expansion Scheme to join the market, had its shares suspended during the summer whilst it attempted to negotiate a major acquisition.

The unfortunate deal fell through and the shares resumed dealings shortly before Black Monday; an announcement of a 25 per cent increase in interim profits has done little to halt the slide in the share price since then.

Theme Holdings, the restaurant behind Coconut Grove and Fatsos Pasta Joint, has sold the

leasehold premises of another restaurant, Peppermint Park, and announced a fivefold increase in interim profits. Its shares, having virtually doubled to 80p within six months of joining the market, are now back to around 85p.

The media group, Publishing Holdings and Catalyst Communications, have each taken advantage of their quotations to make purchases of private companies; both have announced sharp increases in profits. However, both were trading on fancy price/earnings ratios and have underperformed the FT All-Share since the crash.

Abelsco, the graphic materials and equipment supplier, was one of the early stars of the market, thanks partly to the presence of Emese Lighting chairman Michael Meyer on the board. A series of acquisitions including one just days before Black Monday exploited the value of its paper, but it too has underperformed since October 19.

The only Third Market company to defy the crash has been Allied Insurance Brokers. Its mainly traded shares have outperformed the FT All-Share by nearly 30 per cent since Black Monday.

Philip Coggan

Cool comfort for Unilever

NEXT WEEK analysts will be able to test the skills on a clutch of consumer industry majors with varying characteristics. One of the biggest is UNILEVER, which puts out its third quarterly results on Monday.

In the context of overheated expectations Unilever's second quarter was a disappointment, with pre-tax profits up 20 per cent to \$578m, \$57m lower than its fans had pinned.

After that, estimates for the full year receded from \$1.45bn to \$1.4bn; more recently they have come back to another \$1.5bn to \$1.55bn, reflecting the decline of the dollar and its implied effect on overseas profits. For the third quarter, the market expects \$578m against \$516m and, since this includes the Chesapeake Ponds acquisition, it calculates that the underlying growth rate is negligible.

With UNILEVER, the variables include higher financing charges and the effect of a very poor summer on sales of chilled products. After a 24 per cent rise in pre-tax profits to \$578m, the company was not expected to show much progress this year. As recently as September, some analysts were

markets respect the brewer's retailer's defensive qualities and may be more prepared to allow Whitbread the three years or so it will need to prove the logic of the Revolut deal.

Hybrid qualities feature on Wednesday, too, when BOOTS is expected to show profits up from \$81m to \$107m at the half-year mark, again excluding a property contribution. There is an apparent momentum in the company which is expected to transcend problems in the manufacturing and distribution of pharmaceuticals and consumer products, especially in the US, and a decline in retail margins where none was expected.

Analysts reckon that about 12 per cent of Boots's profits are exposed to the dollar translation effect. That applies to 80 per cent of Beecham's, more at Glaxo and a lot more at Wellcome. They say that Beecham, now fully committed to drugs and health care, is going so well this year that the currency effect will hardly be noticed in Thursday's figures.

Helped by the absence of last year's unsuccessful Delicare launch, which cost \$7m, pre-tax profits could rise to \$180m against a previous \$154m, restated from the reported 1986-87 figures to reflect average exchange rates.

The retailing style which produced the BURTON GROUP'S 85 per cent leap in profits to \$149m pre-tax at this time last year was evident some time before that, and the shares have underperformed the market since 1985. Outside estimates for next Thursday's results have been pared back from \$185m to \$180m pre-tax, against \$149m previously, but this hardly seems to count for much in the context of five-year plans to double the group's selling space and market share. Observers say that an interim proving ground will be the results for the sale of the Debenhams department stores.

The two big names on the industrial front next week are also due on Thursday. Maiden interim figures from BRITISH GAS are expected to reflect its seasonal nature and produce a half year, current cost accounting net loss of \$50m to \$100m. The progress report will be studied less for the figures than for sales growth in the domestic, commercial and industrial sectors and particularly for indications of recovery in the industrial market.

FLESBET had forecast a poor performance in the first two quarters of 1987-88; the first three months showed a decline from \$48.5m to \$26.1m pre-tax and the second is expected to emerge in the area of \$40m, against \$44.2m previously.

Results Due

able to accommodate a sizeable increase in first half profits (due on Monday) within this scenario, but the word now is that the interim out-turn could be 10 per cent down at \$42m.

RANKS HOVIS McDONOUGH, on the other hand, is expected to be emphatically up when the full year's results come out on Tuesday. RHM, with the Australian Goodman Fielder group holding an intimidating 29.9 per cent stake, is expected to show strong growth in milling and baking, reflecting the return to profits on baking after years of losses.

It will also have 4% months from its Avana acquisition, worth an estimated \$3m net of financing costs to profits which could range from \$1.12m to \$1.18m pre-tax, according to a string of brokers' forecasts, against \$9m previously.

WHITBREAD (Interims Tuesday) is expected to show a \$87m before property profits against \$78.6m previously. This is also before any contribution from September's \$170m acquisition of James Burroughs (Bee-eater Gin) on a p/e of 27 against Whitbread's own 11 or 12.

In September's financial climate, the acquisition made Whitbread unpopular, the company itself calculated the dilution of earnings at some 7 per cent for 1987-88. However, today's stock

COMPANY NEWS SUMMARY

TAKE-OVER BIDS AND MERGERS

Company	Value of bid	Market value	Price per share	Value of bid	Market value
Aberdeen Const.	350p	195	340	57.92	34.88
Albion & Son	120p	103	97	34.88	34.88
British (C.D.)	646.66p	628	548	87.09	87.09
Brown (M)	639p	630	715	158.11	158.11
Elect. Rentals	76p	64	55	222.12	222.12
Equity & Law	455.6	445	350	457.42	457.42
ERIC	405p	380	300	14.00	14.00
H&M Summit	810p	793	684	777.00	777.00
IBL	13p	41	39	29.42	29.42
Int. Signal	13p	135	119	30.46	30.46
McLeod Russell	427p	395	385	50.91	50.91
Samuelson	180p	161	137	38.97	38.97
Stewart Wriggles	325	615	500	144.84	144.84
Stewart Wriggles	302	298	248	1.21m	1.21m
Tech Comp Inds	195	400	478	11.20	11.20
Wholesale & Retail	109.33p	92	91	13.08	13.08

*All cash offers. (Cash alternative, Partial bid, \$For capital not already held. †Unconditional. ‡Based on 2.38m shares. §Based on 1311/107. ¶At expense of shares. ††Based on 1.21m shares. ‡‡Based on 1.21m shares. †††Based on 1.21m shares. ††††Based on 1.21m shares.

PRELIMINARY RESULTS

Company	Year	Pre-tax profit	Basic EPS	Diluted EPS
Bailey CHI	March	399 (181)	0.7	(0.3)
Bellway	July	800 (4,500)	0.8	(3.5)
Billy J & Sons	Sept	34,840 (35,840)	20.9 (19.9)	8.3 (8.2)
Blackburn Exhib	Aug	1,430 (502)	12.2 (7.3)	4.0 (-)
BOC Group	Sept	263,200 (85,400)	36.3 (29.7)	12.8 (10.4)
British Airways	Sept	1,160 (1,400)	1.1	1.1
Glaxo	June	6,490 (5,660)	54.3 (35.1)	6.7 (5.9)
Glaxo	July	1,140 (907)	4.5 (3.8)	1.3 (1.1)
Int. Signal	Sept	1,250 (1,250)	45.7 (45.7)	1.8 (1.8)
MDT Corp	Sept	1,070 (1,070)	22.4 (22.4)	5.3 (5.3)
Moran Tea Hlps	June	805 (639)	109 (92.7)	30.0 (20.0)
Freewill Hlps	July	174 L (2,280 L)	-	-
Stella Indus	Aug	65,700 (56,500)	19.4 (16.4)	6.5 (5.5)
UDG Holdings	July	3,300 (3,300)	1.0 (1.0)	1.5 (1.5)
Virgin Group	July	27,700 (19,100)	8.8 (7.0)	1.8 (-)
Wade Partners	July	2,320 (1,670)	14.4 (10.4)	4.3 (3.5)
Wellcome	Aug	169,100 (123,300)	11.2 (7.8)	2.8 (1.3)
Williams, Tes	June	4,900 (3,500)	74.5 (47.5)	20.0 (20.0)

INTERIM STATEMENTS

Company	Half-year	Pre-tax profit	Basic EPS	Diluted EPS
All. Irish Banks	Sept	43,000 (38,790)	3.2	(5.0)
American Int'l	Sept	11,100 (10,360)	3.2	(3.2)
Aplicor Corp	Sept	3,020 (2,330)	0.5	(0.5)
Agnew & Sons	July	726 (569)	1.0	(0.8)
Bank of Ireland	Sept	29,600 (25,770)	-	-
Black & Lister	Aug	4,150 (3,671)	2.2	-
British Airways	Sept	232,000 (141,000)	2.2	-
British Petroleum	Sept	330,000 (297,000)	-	-
Caledonia Invest	Sept	5,400 (5,200)	2.5	(2.2)
Cannock Union	Sept	127,700 (125,370)	-	-
De La Rue	Sept	21,570 (29,970)	3.2	(2.7)
Ellis & Goldstein	Aug	1,000 (1,000)	0.9	(0.9)
Ford Motor	Aug	206 L (1,140)	-	-
Foster Jones	Aug	764 (467 L)	1.5	(1.0)
Futura Holdings	Sept	102 L (66 L)	2.5	(2.5)
GEI International	Sept	2,050 (1,240)	1.9	(1.9)
General Accident	Sept	180,600 (87,800)	2.7	(2.7)
GT Portland Est	Sept	12,660 (10,400)	2.7	(2.7)
GT Management	Sept	8,480 (8,240)	1.2	(1.2)
Hartwell	Aug	4,450 (2,510)	0.7	(0.6)
Haworth S&A	Sept	13,860 (6,360)	1.1	(1.0)
H&M Care Services	Sept	468 (311)	0.3	(0.3)
Land Securities	Sept	15,160 (13,440)	2.0	(1.7)
Land Securities	Sept	64,500 (58,100)	3.6	(3.2)
Lilly F&C	July	624 (24,480L)	-	-
London Internat	Sept	15,000 (11,550)	2.0	(1.7)
London Internat	Sept	43,200 (38,790)	1.9	(1.7)
Neill & Spencer	May	585 (81 L)	1.9	-
NMC Investments	Sept	2,890 (1,980)	0.7	(0.5)
Oxford Int'l	Sept	4,580 (6,510)	0.9	(0.8)
Packaging Inds	Sept	2,520 (1,000)	1.0	(1.0)
Packaging Inds	Aug	168 (24)	-	-
Regalstar Prop	Sept	11,600 (4,100)	1.0	(0.6)
Reed & Smith	Sept	1,200 (100)	0.5	(0.1)
Royal Dutch/Shell	Sept	1,575 (1,015)	-	-
Royal Insurance	Sept	259,000 (193,100)	-	-
Sainsbury J	Oct	121,000 (123,500)	1.2	(1.0)
Scottish Assets	Sept	368 L (1,015)	-	-
Southdown R	Sept	227 (106)	0.7	(0.7)
Staveley Ind	Sept	6,390 (4,390)	1.7	(1.5)
Standard Hdgts	June	1,140 (386)	0.5	(0.5)
Trautman Tr	Sept	112,000 (102,560)	2.5	(2.0)
The Rack	Aug	281 (65)	0.4	-
Ultramar	Sept	30,800 (9,700 L)	-	-
Walgate	July	400 (173)	-	-
Woolingham JH	June	84,710 (27,260)	-	-
Yule & Volor	Sept	12,090 (3,510)	1.8	(1.5)

MARKETS

Still seeking a sense of balance

MARKET analysts stayed with the short term throughout this week, and the short term seems to be getting shorter. But there were exceptions, not least Ian Harwood of Warburg Securities, who put his name and reputation on the line in London mid-week, by suggesting that the FT-SE index could climb back to 1900 by the end of the year.

A London market seeking desperately for some good news took this forecast to heart, rising almost 5 per cent on Wednesday and a further 3.7 per cent the following day; the last trading day of the week saw (almost inevitably) some profit-taking. Suddenly things were looking good for a change, four weeks exactly after hurricane forces hit the British mainland and stronger forces still hit the world markets.

World Markets

The somewhat improved US merchandise trade figures on Thursday helped sentiment, or (more correctly) gave still very uncertain markets something to grasp. Yet investors and market-makers seemed to be crowding around the exits, watching the screens for the first signs of a new downturn. Talk of "encouraging fundamentals" got crowded out with such old basics as "you can't fight the tape."

There has been too much burning since Black Monday (October 19) for a major change in mood, but at least some of the signs seemed encouraging. The US dollar firmed midweek - on

FT-ACTUARIES WORLD INDICES

Country	% Change Sept Aug 13	US \$ % change Oct 16
Australia	-43	-45
Austria	-6	-12
Belgium	-23	-19
Canada	-2	-11
Denmark	-21	-18
France	-25	-23
Germany	-44	-47
Hong Kong	-44	-47
Ireland	-24	-31
Italy	-15	-33
Japan	-8	-14
Malaysia	-47	-42
Mexico	-33	-45
Netherlands	-33	-35
New Zealand	-34	-41
Norway	-35	-37
Spain	-45	-43
Sweden	-31	-35
Switzerland	-14	-36
UK	-25	-26
US	-18	-24
West Germany	-28	-33

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little more than a throwaway line from President Reagan on the White House lawn - and Washington edged ever so slowly towards something of a compromise on trimming the budget deficit ahead of next week's deadline for Gramm-Rudman and an arbitrary \$23bn cut.

By midweek, too, the snow came to America's East coast with a vengeance - perhaps even

a signal from a higher plain to counteract the Wall Street meltdown; the climate and Veterans' Day combined to reduce business in New York and London on Wednesday had to find its own level.

The chill market winds from Tokyo overnight didn't help much, but Warburg's Mr Harwood was doing his best and some real institutional money came into the London market for a change. The US trade figures for September hit the screens at just the right moment on Thursday and London took off again.

The sleepy Continentals - a pejorative view from the City of London - were slower off the mark, but they too were catching the prevailing mood as the week ended. The German market was slower than most as foreigners caught with German stocks sold into any slight recovery. Yet overall it was all a bit like June in January, with plus marks blossoming in the November gloom. But was it for real, and would it last?

The markets now have three views for every two analysts, and brokers' circulars have suddenly become very grey. Scarcely a day goes by without a very much shorter life, circled through the mail have to travel further and nowadays have a very short shelf life. The short term is today, and both London and Wall Street were notable this past week for most of the action taking place in the first hour of trading - on many days with proof-taking coming in

	November 14, 1986	November 12, 1987
FT-SE 100 Index	1644.3	1702.5
Dow Jones (Industrial Average)	1873.59	1980.21
Nikkei Dow Index	17390.5	21546.5
Commerzbank Index	1979.2	1961.9
CAC General Index	379.6	284.5

the last few minutes before the commuter trains home, and when the harassed back office settlement teams got down to the real work. There is another Settlement Day in London on Monday with the inevitable fears of some more rubber cheques.

Yet - perhaps curiously, or is it complacency? - fear is not wide-spread, or at least does not appear to be. The reason may well be very simple: few are prepared to take the Long View, and those who do tend to have their voices crowded out in the uncertain daily marketplace. Yet they do deserve a hearing.

The small table on this page does tell a story of sorts, even if it is one that has been getting precious little notice in these hectic and concerned days. A "correction" or a "crisis" may well be the fundamental question and it is still too early to give a definitive answer. But some sense of balance is needed amid the wild gyrations.

London and Wall Street on Thursday were both still ahead

of their levels twelve months ago: Japan, via the Nikkei Dow, is some 30 per cent higher. The FT-Actuaries World Index is 14 per cent higher than in November 1986; the world, excluding the US, is 14 per cent above its low this year. But Germany and France are a different story. True, virtually every market is way off the very heavy days, but in straight (or devalued) US dollars and cents, there is still a respectable gain on a world spread over the past year.

Perhaps the Japanese know more than we do, although their own markets bucked the general world trend for much of the past week by registering a 7 per cent drop in the three days to Wednesday, albeit having absorbed the \$37bn second block offer of Nippon Telegraph and Telephone at a mind-boggling ¥2.6tn (\$18,880) per share.

The three-day Tokyo setback was followed by some extensive local encouragement to the market from the Big Four - Nomura, Daiwa, Nikko and Yamaichi -

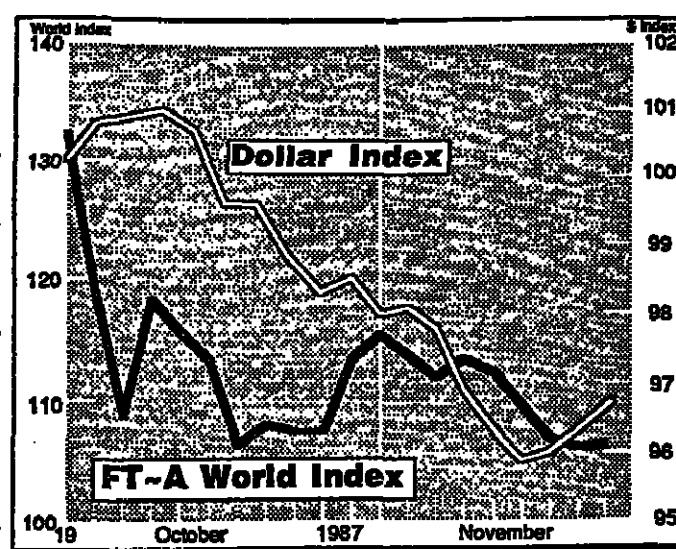
acting in an apparent concert party with official connivance, but with no on-the-record official confirmation. By Friday the Nikkei had recovered just about all its ground lost earlier in the week.

But the Tokyo Stock Exchange had an interesting story to tell following a snap survey of almost three dozen brokerage houses of business activity between October 5 and the end of last month. Net stock sales by foreigners through the Tokyo, Osaka and Nagoya exchanges rose to a record ¥2,023bn (\$14.9bn) - compared with ¥399bn in the August 31-October 3 period. Foreigners, it seems, run scared.

But not so the natives. In the same survey period, individuals and corporations piled into stocks in record amounts, the individual tally at ¥998bn being treble the previous record hit in September.

A whole lot of people out there under the rising sun must feel they know something, despite a Wood Mackenzie forecast last week that "as we move to global markets, you can't have one market working on different rules forever...at the end of the day one has to believe in fundamentals, and prices will have to come down in Tokyo."

Tell that to the Japanese, although this week's three-day slide did seem to give the edge to Wood Mac's Bob Semple. Yet the bell weather Nikkei Dow finished the week comfortably above the psychologically important 20,000



level, almost a third higher than in this week last year.

But Monday starts another trading week and there is certainly no shortage of doom merchants, some few with long memories but most with a lot of book learning. This week saw its fair share of grim recollections of events in the wake of the 1929 Wall Street crash.

The slump in world markets since Black Monday is going to trim private sector consumption, but in Britain at least Mr Nigel Lawson, the Chancellor, remains almost supremely confident, and there were bullish comments yesterday from the powerful Industrial Bank of Japan.

The IBJ predicts that Japan's GNP in the year to March 1989 will grow by 3.7 per cent "even if the (Nikkei) Dow Index remains around 22,000 throughout the year."

Sentiment in the United States is less clear, and much of it is overtly political as the parties and the candidates jockey for position ahead of next year's presidential elections. The immediate scenario is for a compromise alternative to Gramm-Rudman followed later this month by yet another Group of Seven meeting and some new - or reaffirmed - understanding on exchange rates.

Conventional wisdom had it last night that this should keep the world markets happy in the short term, but then how long is short in these uncertain days? Yesterday's 40-point Footsie slide in the first few hours of London trading showed that there is still a lot of chill about.

Dominick Coyle

Yet more familiar fretfulness

LAST WEEK saw the sort of fretful trading in US stocks that has become wearisomely familiar in the past month. After two days of declines, stocks started rising at mid-week and posted some quite credible gains. On Thursday, the Dow Jones Industrial Average rose 51.01 points on

Wall Street

turnover of 206.3m shares. This volume and increase would have been wildly bullish at the start of this year. It impresses nobody now.

Last week showed that the market continues to respond, in a nervous way, to signs of progress in tackling the imbalances in trade, savings and investment that bedevil the US. Thursday's report of a lower trade deficit in September and modest advances in negotiations over the budget

deficit in Washington brought some investors back into the market. But the market is now so bearish in sentiment that these rises merely flush out more sellers.

The bears' argument is quite compelling. The stock market crash on October 19 was just scary enough to provide the seeds of a solution to US economic problems. The dollar would fall so far that foreign investors need fear no further decline, Washington would rush to cut the budget deficit and US bonds would balance this side of a depression. As Mr David Hale, an economist at Kemper Financial Services in Chicago, wrote late last month: "A quick devaluation coupled with a credible fiscal policy could trigger a resurgence in foreign demand for US equities."

But the bears now say that the adjustment has not been drastic enough. The dollar, which ended the week trading around ¥136

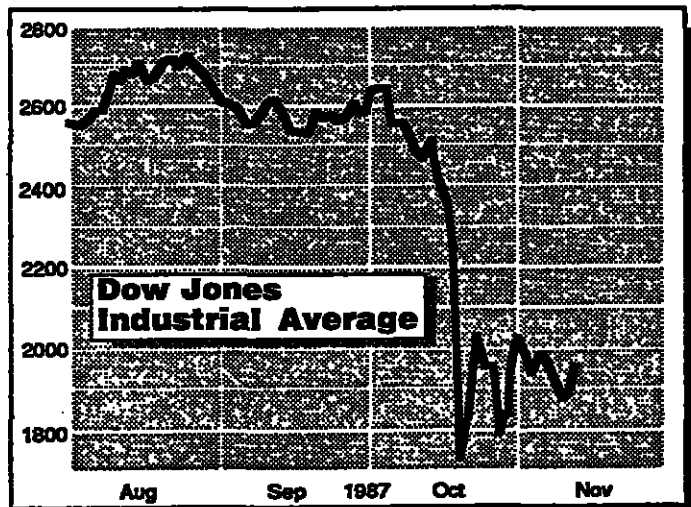
and DM1.69, was almost as weak in the spring of this year. Meanwhile, negotiations over the budget deficit - which is one good way of cutting the excess of domestic demand over savings - have got bogged down in political horse-trading.

The result is that the US is back where it was before October 19, with whopping budget and trade deficits and nothing dramatic happening about either. The drama will come in the markets, the bears say. The financial markets will decide that US assets must provide a higher return to compensate for the financial risks. The markets will push through some mixture of devaluation, higher interest rates or tumbling asset prices. As Mr Hale put it, the danger is that the crash "will not prove to be a sufficient warning and that there will have to be a further erosion of American asset prices to produce a budget compromise in Washington satisfactory to the

financial markets."

The bulls' case is rather harder to put, largely because the bulls that were still charging after stocks in the two weeks after the crash are now just pawing the ground. But the bull argument would be some variation on the theme of value: that asset prices (excluding flower pictures by Van Gogh) have fallen far enough to be bargains relative to the cost of money.

At first sight, this argument is attractive. When stocks hit their peak in faraway August, the market was yielding dividend income equivalent to 2.5 per cent of its value. Long-term bonds were pushing towards a yield of nearly 10 per cent. At that rate, stocks were very expensive and everybody should have known better than to buy them. Since the crash, interest rates have tumbled to 8.8 per cent at the long end and dividend yields have risen to just under 3 per cent.



The yield difference between the two markets has closed by the best part of two percentage points since the crash. Stocks are no longer so expensive. That is why companies, which are supposed to know about industrial

specialising in quantitative analysis at Smith Barney, stocks are "still not cheap by any measure" such as price to sales, dividend yield, price to book value and price to earnings. The most widely used valuation - price to historic earnings - has fallen back from its peak of around 24 times to around 17 times. But this is still around the level at which the bull market of the 1920s blew out in 1929.

A p/e ratio this high might be justified if earnings were about to take off. If the "e" goes up, then the "p" does not have to come down. But fear of lower consumer spending and weaker economic growth next year have caused analysts to cut forecasts for next year's corporate profits. There are exceptions. Even before the crash, the market put a low value on the earnings of motor companies because new Japanese plants in the US will cause overcapacity in the 1990s. But at \$72 on Thursday morning, Ford was trading at about four times its likely earnings for 1987. This is an abnormally low rating for any profitable industrial company, especially one as well-managed as Ford.

It was therefore no particular surprise that Ford announced last week that it would spend another \$2bn of its cash hoard, not on building more factories to add to the overcapacity problem but on buying in its cheap stock. The stock duly responded by rising \$2 3/4 to \$74 1/2.

While many of the other companies announcing stock buy-backs are probably just trying to reassure investors and may not buy a share, Ford is likely to carry out its promise. As a blue-chip borrower, Ford can get its funds so cheaply that it is worth cancelling shares costing the equivalent of 5.5 per cent before tax to service. With GM, the argument for buying in stock is even more compelling: the notional pre-tax cost of its dividends is 11 per cent, which is higher than its cost of borrowing. The market is telling GM to buy in stock until this anomaly in the relative cost of capital is ironed out.

Monday 1980.20 - 55.85
Tuesday 1978.15 - 55.05
Wednesday 1899.20 - 51.05
Thursday 1960.21 - 61.01
James Buchan




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BANK OF SCOTLAND
A FRIEND FOR LIFE

Richard Tomkins assesses what investors can expect from next week's sale of Eurotunnel shares

Tunnel visionaries



GREED AND FEAR. It is said, are the two main ingredients of stock market sentiment; next week's offer for sale of shares in Eurotunnel, the Anglo-French company building the Channel Tunnel, will be ripe with both.

If the projections set out in the prospectus prove correct, the returns to investors will be worth a king's ransom. But set against this lip-smacking outlook is the danger not only that the returns could prove a good deal lower, but that they will fall to absolute zero if the tunnel is never built.

The attractions of Eurotunnel's shares cannot be judged by the criteria applied to other stock market investments. New issue shares are generally priced in relation to the company's profits in the previous or current year. But Eurotunnel has no earnings, nor will have until at least 1993, when the tunnel is due to open.

Indeed, no attempt has been made to price Eurotunnel's shares in relation to profitability. The price is almost an accident of history, in the sense that the banks which have lent \$5bn of the \$6bn needed to fund the tunnel's construction demanded that the remaining \$1bn be raised in the form of equity to provide a cushion against risk. The price of \$50p a share is simply the figure that produces the required sum.

So what are the shares really worth? Until the tunnel opens and the revenues start to flow, it is only possible to guess. In doing so, one is essentially guided by Warburg Securities, one of the UK advisers to the issue, which has been doing the rounds in the City putting forward persuasive arguments for a considerably higher valuation.

The theory goes like this: Eurotunnel's life will have two main phases. The first will be the five-and-a-half-year construction phase, during which there will be no revenues or dividends and the perception of risk will be high. The second will be the operational phase, from 1993 to the expiry of the concession in 2042, when the revenue flow will be established; then, Eurotunnel will be a safe and solid investment characterised by the size and reliability of its dividend stream.

Based on the projections set out in the prospectus, the dividends will indeed be high. They will rise rapidly from 39p per 350p share (a gross yield of 10 per cent) in 1993, to \$1.46 (87 per cent) in 2003. By 2033, they are projected to be \$14.44 a share, representing a gross yield of 591 per cent on the issue price.

Obviously, the share price will rise to reflect this. But by how much - and when? Once the tunnel is operational, Warburg says, investors will look at it the same way as other equity investments and require a similar return: about 12 per cent a year at today's prices, according to Warburg's calculations.

Because Eurotunnel's dividend payments have been estimated for every year from 1993 to 2042, it is possible to work out what sum an investor will theoretically be prepared to pay for the shares once the tunnel is safely open.

This is done by adding together all the dividend payments to the end of the concession and calculating what sum if it were delivered an annual rate of return of 12 per cent. (The shares themselves are assumed to have no capital value at the end of the concession.) The answer is \$24. In other words, Warburg is saying that if the projections in the prospectus are believed, the 350p shares will be trading at seven times their issue price in 1993.

It is possible to take this precarious argument a stage even further. That increase in the share price over the construction period represents an annual rate of return of 41 per cent - far ahead of the wider market. Of course, during this period, investors will require a higher rate of return because at this stage Eurotunnel will still be a risky investment. But will they really require a return as high as 41 per cent?

Suppose they do not. If they accept the argument for the \$24 share price in 1993, then the only way the rate of return can come down is for the starting figure to come up.

If a rate of return of only double the normal rate were required - in other words, around

26 per cent - the starting figure would have to be twice the size of the issue price. In other words, according to this theory, the shares would double in value on the first day of dealings.

So much for greed. Now what about fear?

The problem with all these arguments is that they rest on the assumption that investors will believe the projections, and those in turn rest on many assumptions about construction costs, traffic flows, competition, inflation, interest rates, and so on.

Eurotunnel says the projections are based on independent advice and are on the conservative side. But the company is not short of critics who suggest that many of the assumptions are questionable.

The critics, of course, are right. It is impossible to predict with accuracy what the rate of inflation will be in 2001 or what percentage of cross-Channel freight traffic Eurotunnel will be taking in 2033. Indeed, the only certain thing about the projections is that they are wrong.

The prospectus sets out a range of alternative scenarios in which completion is delayed, interest rates are higher than expected, or traffic revenues lower. Reassuringly, none of these has a disastrous effect when taken on its own. The danger must be if there is a combination of several adverse forces acting in unison.

Eurotunnel argues that its projections are conservative enough to make this improbable. It acknowledges that its assumptions may be wrong, but points out that if they are wrong, it could be for better or for worse. On balance, goes the argument, the adverse factors are likely to be outweighed by the favourable ones.

In the end, an investment in Eurotunnel at this stage can only be an act of faith. No one can be sure what the shares are worth until the tunnel opens and the revenue starts to flow. In the meantime, the price will be dictated by good and bad news about progress on the tunnel's construction, and by that most elusive of elements, market sentiment. At present, the arguments may be good; but be ready for a stormy passage between now and 1993.

Q. If there is another market crash in the next couple of weeks, will the Eurotunnel issue have to be sold at a discount?

A. Not to the same extent, because the value of Eurotunnel's shares is related to the income they will produce in several years' time, not to today's stock market values. However, demand for the stock would inevitably suffer.

Q. What would happen then?

A. Some of the stock could end up with the underwriters, who might try to offload it in the after-market. But the issuing banks would have to be prepared to support the price until at least the end of January, so the damage should be limited.

Q. Are you saying this is risk-free investment?

A. Not at all. It is much riskier than BP, but in different ways. It is not nearly so sensitive to short-term swings in the market, but if the longer-term assumptions are wrong, the damage will be made - or even that the tunnel will be built at all.

Q. Just how big are the risks?

A. Barring a severe breakdown in industrial relations or some unforeseeable catastrophe, the tunnel will almost certainly now be built. The bigger question is whether the returns will live up to expectations. Huge cost overruns, for example, could produce a string of rights issues. Tough price competition from aircraft and ferry operators could hit revenues. All anyone can do is to read the prospectus, listen to the arguments, and decide for themselves whether they regard the projections as credible.

Q. If I decide to go ahead, how many shares should I buy?

A. Only invest as much as you can afford to lose. Also bear in mind that unless you are going for a short-term capital gain, the investment will be 'dead' money until the tunnel opens. Do not apply for more shares than you want. In the event of an oversubscription, the rationing will be achieved through a ballot rather than through scaling down.

Q. Would I stand a better chance of getting shares by putting in multiple applications?

A. This is not a registration so multiple applications will not be processed. Multiple applications that are spotted, however, will be thrown out and bear in mind that if they are not, the allocation could give you a dangerously high exposure to such a risky issue.

Q. Is this an issue for the stage?

A. Surprisingly, it could be. As explained elsewhere on this page, the upside, though highly speculative, is substantial. The issuing house promises support for the after-market limits the downside. A heavy response to this relatively small issue could produce strong after-market support. And the use of a ballot instead of scaling down means that allocations will not be unprofitably small.

Q. What happens when the concession expires in 2042?

A. Privatised from birth, reads one of the French slogans for Eurotunnel. And nationalised at death, it might have added: for the tunnel will pass to the British and French governments. Possibly the concession might then be re-auctioned, or sold to the highest bidder.

Q. What if someone builds another tunnel?

A. The concession gives Eurotunnel the right of first refusal to build a second link up to 2020, but if Eurotunnel has not come up with a plan by 2010, someone else will have the chance. The prospectus hints at the possibility of a second link, but no second link will be built.

Q. What is the value of the warrants that come with the shares?

A. These will effectively give the holder the right to buy one new share at 400p for every 10 held. The right can be exercised between 1990 and 1992, so if the market price is above that level then, the warrants could be a valuable perk. They will also be traded separately.

It pays to know asset value

THE rollercoaster movements of the stock market over the last four weeks have given the purchase of shares in investment trusts an additional dimension of risk: the difficulties of guessing the value of the assets underpinning the shares.

The failure of nearly all investment trust companies to give regular updates of their asset value has meant that once again they have failed to exploit the serious marketing errors made by their arch-competitors, the unit trusts. They have been unable to allow many investors to redeem their units on demand during the more frantic times of the last four weeks.

Those investors who have succeeded in selling their units have had to do so on a 'bid' basis. This means that the unit trust groups have moved down their buying and selling prices about eight percentage points further than the fall of the underlying assets.

Meanwhile, those private investors who already have a stockbroker have been able to buy and sell investment trust shares, paying only slightly more than the unit trusts' bid and offer prices.

There is, however, one major difference: in the less volatile markets prior to the crash, stockbrokers were able to provide a fairly accurate estimate - within 2 per cent - of the net asset value of the investment trust on a daily or even hourly basis. The accuracy of the unit trusts' estimates is far less certain.

However, in the volatile market of the past month, some trusts have changed their strategies drastically. Govett Strategic, for example, went into the crash both highly geared and fairly fully invested but has been liquidating its stakes rapidly, whereas other funds have maintained their positions.

As a result, valuations can be wrong by as much as 10 per cent. For example, earlier this week the consortium found that its valuation for Romney Trust was out by 20p per share, a miscalculation of 7.5 per cent. Thus you might think you are buying investment trust shares on a discount of 8 per cent to net asset value, but in fact the share price is standing at a premium of 2 per cent. This is a risk which unit

trust holders do not have to worry about.

A few investment trusts management companies, such as Dunedin, which manages Edinburgh Investment Trust and three others, value their assets daily, as do nearly all unit trusts. But most investment trusts restrict their valuations to once a month and several have not yet produced figures for the end of October.

Apart from providing precise information for investors, daily valuations should also help the investment trust managers to improve their decision making. But, as Nigel Russell of James Capel points out, the management fees for investment trusts are typically very low, meaning that everything has to be run on a shoestring. Daily valuations would be a significant, albeit small, extra cost on the managers.

Other, in particular, the Japanese and some of the other Far Eastern trusts have been standing on discounts of over 30 per cent. Martin Currie Pacific is on a discount of 40 per cent.

This reflects the belief in the UK that the Japanese market, which has fallen much less than other major stock markets, has been kept artificially high by the intervention of the banks and securities houses at the Government's behest, and is due for a sharp fall. As Mr Hamish Buchan of Wood Mackenzie says: 'The UK market is second-guessing the Japanese. There is a lot of uncertainty about Japan.'

The stocks on the lowest discounts have been those concentrated in the UK, or with high income yields. Shires Investment Trust, a high-yielding £200m trust run by Glasgow Investment Managers, is on a discount of only 14 per cent.

The investment trust sector as a whole has fallen more steeply than the UK stock market average since October 19. The level of the FT-Actuaries investment trust index relative to the All Share Index stood at 92.1 at the start of October and actually rose to 103 on October 20, the second day of the crash. But a week later, it began to fall back steadily and on Thursday it stood at 92.1. This is mainly the result of a widening of the average discount to net asset value from 18 to 21.5 per cent.

The discounts in some sub-sectors have widened much further. The continuing threat of takeover bids and liquidations is expected to prevent discounts from widening much further, even though in the 1973-74 bear market average discounts widened to as much as 40 per cent. Among the potential predators, the Kuwait Investment Office has been actively buying up stakes in the last few weeks.

For those willing to hold their breath and take a plunge, there are also several pricing anomalies to be exploited. Roger Adams of Alexander Leung and Cruickshank suggests that higher rate taxpayers willing to take a punt should buy a combination of zero coupon preference shares and warrants on Scottish National investment trust.

The zero coupon preference shares offer a yield of 11.2 per cent per year (which should be taxed at a low rate) until the 1998 redemption date, far above anything on offer in the (lower risk) gilt-edged market. The warrants, at a price of about 14p, offer massive double gearing, as they are exercisable into the capital shares, now standing at about 43p, which are themselves highly geared.

Another more pricey anomaly identified by Adams is in the warrants on the Save and Prosper unit trusts, all currently on a bid basis. The warrants currently cost about 108p and give a right to buy unit trust assets worth over £25p at a price of 200p per share.

That represents a discount, even if the warrants had to be exercised immediately. But the warrants have substantial time value, as their last exercise date is not until June 1995.

Clive Wolman notes the failure of investment trust companies to update asset information

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Home front calm

DOES THE recent fall in the stock markets pose a threat to homeowners relying on endowment policies to repay their mortgages? In particular, do maturity proceeds from unit-linked contracts be insufficient to pay off the mortgage and require topping up?

The short answer is that you do not need to worry unduly at this stage, although a continued market slump would give some cause for concern.

Homebuyers whose mortgages are to be repaid by traditional with-profits low-cost endowments have little cause for concern. Life company actuaries will be considering the end-year bonus declaration at this moment. Their recommendations will be based on two factors.

First, investment income this year has been extremely buoyant. Second, the stock market slump has not been based on fears of cuts in corporate profitability. Actuaries dealing with long-term funds put far greater emphasis on investment income in their assessments than most other operators in fund management.

Second, the stock market fall in the UK has so far only taken capital values back to where they were at the beginning of the year, so those life companies which have not reviewed their terminal bonus rates since the beginning of this year could well maintain the rates this time round.

Of those life companies which increased their terminal bonus rates during this year, two, Sun Alliance and Sun Life, have cut their rates to the levels at the beginning of the year.

The original calculations on a with-profit low-cost endowment usually assumed 80 per cent of the reversionary bonus and no allowance for terminal bonus, so in any event there is a substantial margin to spare.

Similarly, shareholders with unit-linked endowments have as yet no need to worry. The premiums for these unit-linked policies are calculated on an overall 7% per cent per annum growth rate. The underlying funds will still be showing at least that level of growth overall, except for those policies taken out in the last few months.

However, unit-linked endowment contracts operate on the basis of premiums being held for the first ten years, at the end of which they would be reassessed. Thereafter assessments would be made every five years, with yearly assessments if necessary in the last five.

Eric Short



Investors take Spanish steps

Unit trusts are still optimistically launching new funds, says John Edwards.

STILL THEY keep coming. Undaunted by the heavy losses suffered by investors, the flow of new funds from unit trust groups has not dried up.

Latest to enter the market is Aetna, the UK subsidiary of the giant US insurance group, which this week launched a specialist fund - the Iberian Growth unit trust - aimed at the first UK authorised fund dealing in the Spanish and Portuguese markets.

Spain has been one of the top performing European markets. It was the number one performer in 1986, but has been rather more erratic this year and has certainly not escaped the crash. However, Aetna, like most other optimistic unit trust groups, feels that unless you believe in Argentinian, the recent fall in stock markets, including Spain, provides an ideal opportunity to buy cheaply.

Meanwhile, the dust has settled, Spain and Portugal should stand out as above average performers, says Tony Zucker, Aetna's director of overseas investments. The difficulties some groups face in dealing in these somewhat volatile markets should be alleviated by the fact that advisers to the new fund will be Banif - part of the large diversified financial group in Spain, with some \$1bn. under management.

There are close ties between Aetna and Banif, since their parent companies both own stakes in Spain's largest insurance company and it was this link that gave Aetna the go-ahead to launch the specialised countries fund.

It is not a fund for newcomers. Aetna says it is aimed at experienced investors and intermediaries. There will be a fixed price of 50p until December 4 and a 1 per cent bonus allocation for investors before December 31. Minimum investment is £1,000.

Scottish Mutual Assurance has gone one better by launching two new unit trusts - UK Special Situations and at Income Plus fund. Ian Robertson, marketing manager, says the crash has given an excellent opportunity for long-term investment in UK equities now they have returned to fair value against gilt-edged.

Minimum investment is £500 and units are available at a fixed price of 50p until the launch date on December 1. Meanwhile Dunedin, the Scottish fund management group, has launched a managed portfolio service for unit trusts with a minimum of £10. Called Trustmasters, it is a purely discretionary service and confined solely to the group's worldwide trusts in the UK, North America, Europe and the Far East.

Grant Cochrane, Dunedin chairman, said there had been hardly any selling of their unit trusts during the crash, but there was a demand for more professional guidance and flexibility - to move into cash, for example, when the outlook was bearish.

It had been decided to confine investment to their in-house trusts because of the proposed Securities and Investments Board (SIB). There is a 1 per cent discount on the initial purchase price and a 2 per cent discount on switching units. Annual administration charges are 0.5 per cent of the portfolio value up to a maximum of £200.

Down come rates

WITH INTEREST rates appearing to settle down, more reductions in the cost of home loans were announced this week following the move by the Halifax Building Society to cut its mortgage rate to 10.3 per cent.

NatWest was the first clearing bank to follow. It reduced its rate by 0.25 per cent to 10.25 per cent with immediate effect. For new borrowers and from December 1 for existing mortgages.

Barclays moved soon after, announcing a cut of 0.95 per cent to 10.3 per cent, effective from December 1, for new and existing mortgages.

Yesterday, Midland cut its rate by one per cent to 10.3, and TSB went down to 10.3 for endowment and pension mortgages and 10.8 for straight repayment home-loans.

Girobank, a recent entry to the mortgage market, in a surprise move cut its mortgage rate for loans of over £20,000 to 9.9 per cent and to 10.2 per cent for smaller amounts.

Abbey National confirmed that, as previously announced, it would cut its home loan rate for all borrowers from December 1, but has not yet decided on the figure. John Bayliss, general manager, said they wanted to wait a little longer in view of the uncertainty about the rate cut. 'Anything can happen on Monday,' he said.

However, Northern Rock Building Society is going ahead and cutting its rate to 10.3 per cent immediately for new loans, but will not make a decision on the rate for existing borrowers for a week or two. Yesterday Leeds Permanent, one of the biggest leading building societies also cut its rate to 10.3 per cent.

The Mortgage Corporation, which lowered its rate to 10.25 per cent, has now cut it again to 9.95 per cent on fixed loans. The rate for existing borrowers drops to 10.25 per cent on December 1 and to 9.95 from January 1.

The corporation said the reductions followed movements in the money markets. The rate for its Libor (London Interbank Offered Rate) based mortgages launched at 10.9 per cent on October 9, has been cut to 9.75 per cent for applications received before December 15.

House Mortgage Corporation is lowering its rate by 0.75 to 10.15 per cent, effective immediately for new loans and from January 1 for existing borrowers. The rate on its First Home 100 per cent mortgages, introduced last month, has been cut from 11.85 to 10.50 per cent with immediate effect.

As an extra sweetener, the 10.50 per cent rate is guaranteed not to increase before July 1 next year, but could decrease further if interest rates fall in the meantime.

John Edwards

Have shares can travel

NEVER MIND the dividends - the travel perks alone make it worth buying Eurotunnel's shares. Perhaps. But small investors should be sure to read the small print before rushing in on this basis.

The perks on offer are:

- For 100 shares (costing \$350), one return shuttle trip within a year of the tunnel opening.
- For 500 shares (costing \$1,750), one return shuttle trip a year for the first 10 years.
- For 1,000 shares (costing \$3,500), two return shuttle trips a year to the end of the concession in 2042.
- For 1,500 shares (costing

\$5,250), unlimited return shuttle trips until 2042.

Note, however, that the trips are not free: a \$10 registration fee has to be paid for every year in which they are used, even on the 100 share perk, and there is also a \$1 each-way charge. Both fees will rise with inflation.

Further, the privilege only entitles the holder to take a private car and its passengers, or a bike (motorised or pedal cycle) and its rider(s), on the shuttle service for road vehicles which will operate between Folkestone and Calais, in addition to passengers on ordinary trains to other destinations.

It is not valid for commercial vehicles or, surprisingly, motor-

ised caravans. It is still unclear whether a way will be found of allowing people in time-cant-to-use the privilege.

Only private individuals, or the first named of two individuals applying jointly, are eligible. The perk applies only to shares bought in the offer for sale and is not transferable, and it expires when the applicant, in the sense that it is not hereditary.

Note that the entry cost to the perks is singularly high - though one would have to be a real Europhile to prefer a 1,500 share perk to the 1,000 share one. And always bear in mind that if the tunnel is never built, there will be the additional cost of a pair of water wings.

Q. What happens when the concession expires in 2042?

A. Privatised from birth, reads one of the French slogans for Eurotunnel. And nationalised at death, it might have added: for the tunnel will pass to the British and French governments. Possibly the concession might then be re-auctioned, or sold to the highest bidder.

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WHERE DO YOU INVEST WHEN MARKETS ARE SHAKY?

WHERE THE FUNDAMENTALS ARE RIGHT...

Despite the recent stockmarket crisis, Spain is still the top performing major stockmarket in Europe, with a growth of 21% over the past 12 months (to 1 November 1987). Although past performance is not a guarantee of future growth, there are good reasons why this performance is likely to continue.

Spain's economic strength

Over the last few years Spain has emerged as a secure and stable democracy, with a real commitment to integrating with the other economies of Western Europe. This has been reflected in above average economic growth, excellent stockmarket performance and a large influx of foreign investors.

NEW LAUNCH Iberian Growth Unit Trust

- 1st unit trust investing solely in Spain and Portugal
- 1% guaranteed bonus if you invest before 31 December 1987
- Fixed price of 50p per unit until 4 December 1987
- Aetna is the No. 1 unit trust group over one year to 1/1/87*

Portugal's potential

The outlook for Spain's Iberian neighbour, Portugal, is equally exciting. Although its economic development is a few years behind Spain's, the stockmarket is developing rapidly and has produced some impressive performance figures.

Aetna's Iberian Growth Unit Trust offers you a new and simple way to benefit from the performance of the Spanish and Portuguese stockmarkets. The value of units, and the income from them, may go down as well as up.

ASK FOR FURTHER DETAILS TODAY

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*Source: Financial Times statistics as at 1 November 1987. Weighted average performance last 12 months over 1 year of the 29 largest unit trust groups.

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Business Expansion Schemes show caution

An opportunity skipped

ANOTHER Business Expansion Scheme issue was withdrawn last week in response to stock market conditions, but one greenfield project is pressing ahead despite the crash.

The withdrawn issue was for Midlands (UK), a company which planned to sell franchises for a skip waste removal service. Midlands' prospectus had been sharply criticised by Steven Rowe, an analyst at BES Investment Research. The director had decided this week to withdraw the issue and fund the company privately.

The issue which is proceeding is that of High Performance Composites. The company intends to manufacture glass

reinforced plastic pipes for use in the oil and chemical industries. GRP pipes are remarkably strong for their light weight and are corrosion-resistant.

HPC plans to lease premises in Newport, Gwent, with the factory scheduled to come into operation in September 1988. That means that investors would be unlikely to receive their BESS certificates until the spring of 1989, though tax relief would apply to the current financial year.

Although start-up projects are even more risky than other BESS issues, the board has a lot of experience. The chairman is Roger Bowes, formerly chief

executive of Mirror Group Newspapers and Express Group Newspapers, and the chief executive is Leslie Ainsworth, who has been working in composites for over a quarter of a century.

HPC is aiming to raise a minimum of £200,000 and a maximum of £1.5m. Provided it raises at least £1.2m, grants of up to \$360,000 will be available from the Welsh Office. Investors are being asked by sponsor Oceana Asset Management to subscribe for at least 1,000 shares at 51c each; there are, refreshingly, no sponsors' options or 'golden shares'.

Philip Coggan

ARE YOU READY TO PROFIT FROM THE MARKET REBOUND?

No market fall goes on forever. The more severe the decline the greater the eventual rebound. The November issue of **TECHNIVEST** looks at the recent market collapse and suggests that the bounce-back could be as much as 50% of the previous fall. **TECHNIVEST** is the London market's top specialist on profit opportunities in the shares of technology companies. In the August

Christine Stopp on savings schemes

A regular bear-beater

REGULAR SAVINGS plans in unit trusts and their investment counterparts have always been good value for money, offering a low minimum for an equity investment and a relatively painless way of building a lump sum.

What makes such plans attractive in bear markets is what is known as "pound cost averaging". This means that if you are making a fixed, regular contribution, your monthly savings will buy more and more units as shares as prices fall. The average price you pay for each unit should, therefore, be lower than the average quoted price over the period.

This is merely a statistical phenomenon. Another way of looking at a regular savings plan is as an investment discipline. With lump sum investments, the investor has to make buying and selling decisions from time to time, depending on his view of the market. However, once committed to a regular savings plan, buying decisions are made for you, spreading your investment over a variety of conditions.

Provided you don't cash it in during a bear market phase, a regular savings plan performs according to the classical, but not much practised, investment strategy: it buys more shares when they are cheap.

Since you can invest as little as £20 a month, these plans can be used for keeping a toe in the water while share market conditions are volatile. It almost goes without saying that a regular savings plan should be a long-term (ie five years plus) investment, though there are no penalties for early encashment.

If you had invested £20 a month over five years in the median UK General unit trust, your total savings of £1,200 would have grown to £2,609 by October 1 this year. A similar investment in a UK Equity Income fund would have produced £2,917, compared with £1,445 in a building society.

If a woman decides to continue working after the age of 60 then two discriminatory factors come into effect. First she stops paying National Insurance contributions, while her male colleagues still continue their payments. Second, the State pension she will eventually receive will have been increased because of the devaluation. The formula for calculating the increase is complex: 1/7th of a penny for each £1 of pension for each week before the age of 60 that retirement is deferred - roughly a 7½ per cent increase a year.

This means that if she works until she is 65 her State pension would, at today's value, be £54.23 a week, while her male colleague retiring now at 65 would receive £38.50 a week.

An even more similar situation applies to the woman's company pension. On deciding to work beyond the age of 60 she generally has two choices: either she can cease contributions and draw the company pension straight away - thus having two incomes - or she can cease contributions but defer taking her pension under the late retirement provisions of the scheme, with the ultimate pension usually being the entitlement at 60, increased on an actuarial basis.

Some schemes will even allow extra years of service to accrue and will base the pension on the final salary and years of service to the actual retirement. However, this situation relates to a woman employee who qualifies for full pension entitlement - a situation that does not often occur in practice. It is more usual for women to qualify for much smaller pensions because they do not complete a sufficient number of years' service, so any increment usually cuts back on the differential with men.

The group has found that, after a good reception initially, new applications dried up following the market crash, despite the argument that now is just the time to get in.

James West, managing director of Globe Investment Trust, puts the view that current values are too attractive to miss: "Not many of us are clever enough to pick tops and bottoms in cycles. We have had a 34 per cent fall. The market won't fall another 34 per cent. The regular investor must be buying somewhere around the lower levels."

Regular savings plans in investment trusts are not yet as widely known as the unit trust variety. They offer a way to buy investment trust shares without a stockbroker and combine savings with the ability to make a gift of shares to a third party and reinvest dividends.

The big attraction of investment trust plans is their relatively low charges. Annual management charges are usually only about 0.4 per cent or less, compared with as much as 1.25 per cent with unit trusts. If you



deal in investment trust shares through a stockbroker you would probably pay a minimum of 1.65 per cent commission on both purchases and sales.

Investment trust regular savings plans depend on bulk purchases of their own shares by the managers who, as major market operators, may shave commissions to much less than the individual investor would pay.

Most of the big investment trust groups now offer a regular savings scheme. You can invest in over 50 trusts in this way, including a wide range of geographical specialist trusts.

Pound cost averaging is most effective with a volatile fund. In theory, the best trust for regular savings is one which stays in the doldrums, then rockets up just before you cash it in. In practice, the more volatile sectors do not usually rise fast enough, when the time comes to make up for the flat periods. Among unit trusts Far East and Commodity and Energy sectors have done far worse for regular savers than the UK sectors.

Regular savings plans are ideal as gifts for children and the investment can be boosted by using a deed of covenant. There seem to be few, if any, disadvantages to these plans, though a long-term large investor might have trouble computing his CGT position.

Details of schemes can be obtained from the Unit Trust Association (01-438-3071) and the Association of Investment Trust Companies (01-588-5347).

Predictable differences

William Cochrane reviews strategists' views of the future



Mike Osborne
Kleinwort Grieveson



Neil McKinnon
Nomura Research



Nicholas Knight
James Capel

INVESTMENT STRATEGISTS and economists at London's stockbroking houses have been having a high old time lately (if somewhat exhausting) as world markets have dropped lower and lower.

They are there, as Peter Thompson of Barclays de Zoete Wedd sees it, to paint the economic, fundamental and psychological background against which the business of securities trading goes on. They are called upon to make predictions as a matter of course. But the predictions these days are needed more frequently and, indeed, have become news in themselves.

Along with a number of his contemporaries, Mr Thompson was asked to predict the level of the FT-SE 100 Share Index, both seven weeks and five months ahead, on October 29 when Footsie was 1680 and there were more squalls to come. The results are in the accompanying table.

Mr Thompson is one of those who have plumped for the middle ground. He foresees equities fluctuating in a band between 1550 and 1700. He does not expect Footsie to get any further until the market can say that there is going to be no major world recession, and that, he says, "will not be clear for twelve months or more."

Further up the scale, Nicholas Knight of James Capel has said consistently since the crash began that the market should be significantly higher than its recent lows by the time of the Budget next year. "Looking at the forecasts," he said this week, "I was disappointed that I was not higher up the range."

He notes that over the year as a whole, the Tokyo market was still up by 17½ per cent on Monday, New York was 9½ per cent ahead and London was 5.7 per cent down. "Now London should begin to march to a different

FT-SE MARKET FORECASTS

Predictors	Dec 15, 1987	Mar 31, 1988
Peter Thompson	1650	1700
Nicholas Knight	1600	2000
Mike Osborne	2100	2500
Kleinwort Grieveson	1850	1950
Nomura Research	1800	1500
Phillips & Drew	1300	1500
Stephen Lewis	1650	1750
Peter Warburton	1500	2050
Waring Securities	1500	2000
Wood Mackenzie	2000	2000

Source: Crawford's City Changes, November 1987

tone," he says. "The UK has a good economy and political stability and equities are relatively cheap."

Mike Osborne of Kleinwort Grieveson holds his ground unrepentantly at the top of the estimates. "If you try to argue an economic case for the collapse of the UK equity market you will find it impossible," he says. "But if you can remove the American problem - the budget deficit, the Democrats' unwillingness to slash expenditure, President Reagan's refusal to raise taxes - then you can talk about markets moving up very sharply indeed."

Since the market fell began, he says, the funds have seen some of their wealth wiped out by the fall in markets. Their cash flow

three big 'ifs' to this," he says: "If the Americans put their house in order; if stability comes to the foreign exchange markets; and if Mr Nigel Lawson, the UK Chancellor, comes in with more relaxed financial measures so the UK economy does not slow down dramatically, the prognosis looks very favourable."

At the other end of the scale, Stephen Lewis of Phillips & Drew aimed low, he says, because he was putting more emphasis on the liquidity difficulties which many UK investing institutions are now experiencing.

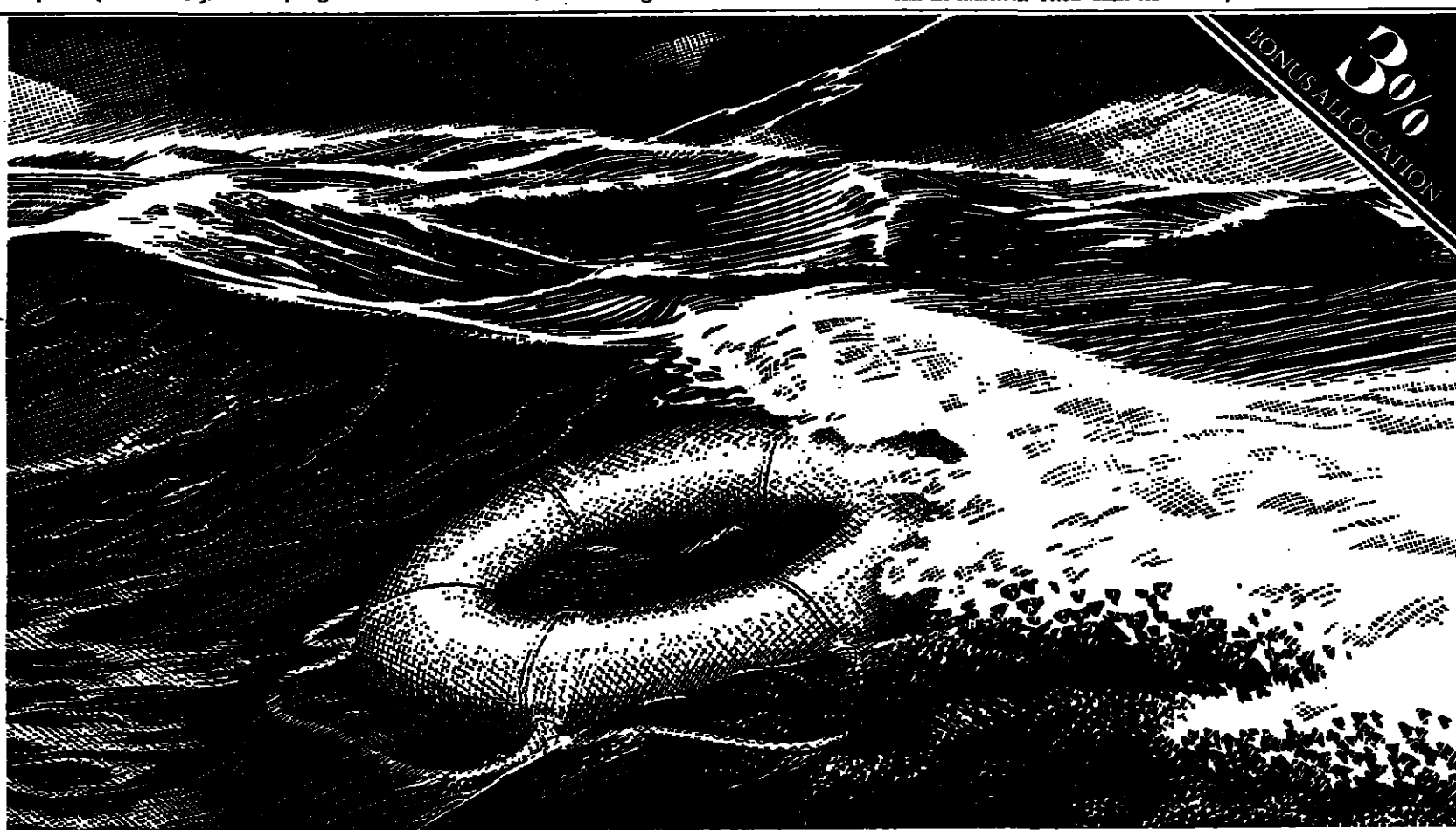
Since the market fall began, he says, the funds have seen some of their wealth wiped out by the fall in markets. Their cash flow

has also been soaked up by sub-underwriting the BP issue and they have had to absorb some shares in UK companies which the Americans sold when their own market went 'phut'.

"I would expect a small pick-up in the market now," Mr Lewis said in mid-week, "but there is likely to be a weak phase approaching the end of this year when institutions will want to show large amounts of cash and fixed interest investments in their balance sheets."

What about a foreign view? Mr Lewis has indicated how Americans feel about UK equities, and Neil McKinnon of the Nomura Research Institute says much the same for Tokyo. "The Japanese view, essentially, is that given the levels of performance worldwide, they are likely to favour their own markets," he says. "Overseas investment comes some way down on their list of priorities."

For himself, he expects varying degrees of volatility from world markets. "Given that the UK has been one of the worst performers on the way down, it may be a little time before we can say that it has touched bottom," he concludes.



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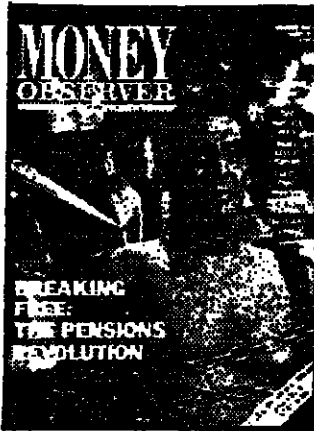
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Crash? What crash?

Kevin
Goldstein-Jackson at
the Money 87
exhibition

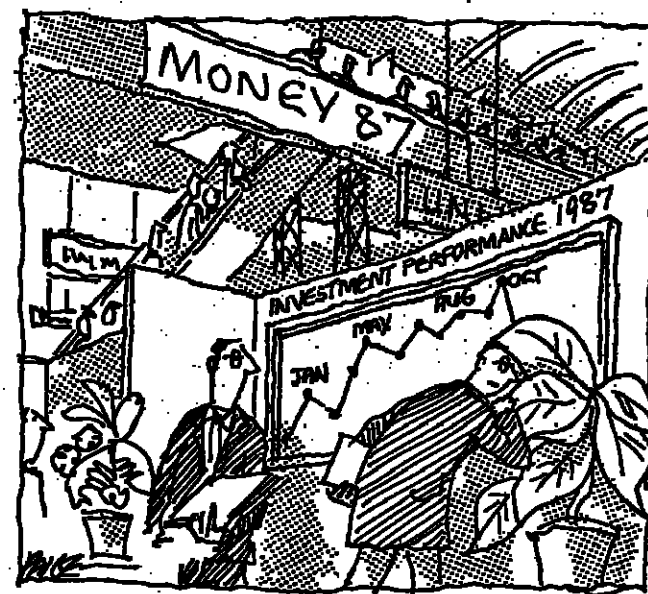
ON OCTOBER 29 I bought shares in Shiloh for 317p each. On November 4 they fell by 65p. Had the market gone mad? Shiloh had already fallen from the 600p high of 385p and had announced increased profits before I bought its shares. Yet still they fell further. The company's price/earnings ratio was less than eight and the whole company was only capitalised at 37.5m. If a company like that was not a "buy" then what was?

Seeking an answer to this question I went to the Money 87 Exhibition at Olympia in London last week. My first impression, on the opening day of the Show, was that the great stock market crash of '87 had never happened. Some exhibitors' stands featured dramatic declarations of their excellent investment performance and one even featured a spectacular chart showing the magnificent rise of its investments – although the chart stopped before the October crash.

Many of the promotional leaflets available were clearly out of date. The long printing schedules for glossy brochures is clearly understandable and explains why they could not take account of the crash – but what excuse is there for putting out a one-page printed document that fails to take account of the October downturn and instead concentrates on rises earlier in the year?

Some exhibitors, however, did manage to produce much more up to date figures of their investment performance and a number pointed out that the gilt funds and currency funds should perform better than shares in a bear market.

In my FT article published on



DIARY OF A PRIVATE INVESTOR

April 18 I commented: "This year might prove somewhat similar to 1973-1974" and there might be "a sudden and prolonged downturn in the market". Surely there must have been other bearish people around at that time?

What I was looking for at Money 87 Show was an investment management group that could boast about either having predicted the crash and/or made money during it. The nearest I got to this was on the Shearson Lehman stand, which had a photocopy from a financial publication of an article headed: "Shearson's Garzarelli gains fame for predicting Wall Street crash."

Apparently Ms Garzarelli turned bearish on September 9 and by October 19 her fund was 50 per cent invested in cash, 40 per cent in two-year Treasury Bills and 10 per cent in stock option "puts," which gave the right to sell shares at specific prices in the future and, there-

fore, increased in value as share prices fell.

But surely there must be something better if, like me, you feel the US dollar still has some way to go?

At last year's exhibition, I came home with lots of ideas and free halfpenny pens. This year, not many exhibitors had baskets of free pens. Is this a sign of the times?

I did come away with two free booklets, both excellent reading and published by SIB, the Securities and Investment Board. One was A Guide to the New Regulatory System for Financial Services and the other was Self Defence for Investors.

The latter is complete with cartoons explaining various sales techniques and translates such terms as "this company had developed a miracle process which will completely revolutionise the industrial or medical world," into "this company is trying one of the oldest con in the world, popularly known as the snake oil pitch." If you want a copy of these free booklets, write to Securities and Investment Board, 3 Royal Exchange Building, London EC3 3VN.

As to my own investment decisions after attending Money 87 I simply decided to keep my cash in the bank and buy some more Shiloh shares for 260p each. This "average down" the cost of my shareholding. If Shiloh falls still further that can be translated as "throwing good money after bad."

Donald Elkin reports on revenue problems for airline crew

Airport tax

WORKING overseas has become a British habit surviving the demise of the Empire. In consequence Britons can be found in almost every imaginable occupation throughout the world, and all will have to grapple with the complexities of UK tax law at one time or another.

However, British aircrews of foreign airlines might, with some justification, feel worse off than most in this respect. If their employment spans a complete tax year (ie April 6 to April 5) and does not involve flights to Britain (ie it is carried out wholly overseas) they will be regarded as Not Resident and Not Ordinarily Resident in the UK, provided that any periods of home leave do not exceed either six months in any one tax year or three months per annum over a four year average. But if they do fly to Britain, even non-residence will not prevent a theoretical liability to tax on pay relating to this part of the journey. Even foreign aircrew are affected by this rule.

Few assessments result, since many cases are covered by the provisions of a double taxation agreement and the Inland Revenue rarely pursue those that are not. Consequently achieving a status of Not Resident and Not Ordinarily Resident will in practice mean that tax liability is restricted to UK source income such as rents.

In sharp contrast, the retention of a home in Britain for those whose job involves flights to and from the UK usually results in the loss of non-residence status. Tax complications then set in with a vengeance. All visits, whether on leave or on duty, count towards the six months and three months average limits.

Nevertheless, duties which are in fact performed in the UK but which are merely incidental to those who carry out overseas will be ignored when determining whether or not employment is undertaken wholly abroad. Temporary residence in Britain for up to three months to attend a training course attracts the "incidental" classification, as do emergency landings. Passengers will no doubt be pleased to know that their safety is not in danger for tax reasons!

On the other hand, scheduled landings in Britain involve substantive duties, as the Amsterdam-based British KLM pilot who was the subject of the High Court case of *Robert v Dixon* found to his cost. Furthermore, following a recent change of Inland Revenue practice, nor will bringing an aircraft in for major overhaul be regarded as incidental.

The fact is that those carrying out non-incidental duties in the UK and who have a UK residence available for their occupation are treated in the same way as someone living permanently

in Britain. They are thus taxable on worldwide income and capital gains whether or not they arise in or are sent to Britain regardless of where duties are performed.

They will, however, qualify for a resident's tax reliefs. Happily, the taxation of salary, even the part which relates to flights into and out of the UK – can be prevented, with the help of the provisions contained in the Finance Act 1977. These rules are activated where employment is carried out during a "qualifying period" which amounts to 365 days or more (whether or not a full tax year is involved).

The qualifying period can consist of days spent abroad and within strict limits – days spent in the UK in order to be included time spent in Britain must not exceed either 63 consecutive days or one sixth of the days in the period.

Considerable importance attaches to the retention of a UK home, so careful consideration of the law and Inland Revenue practice is essential. Availability is the vital factor, actual occupation or ownership being immaterial. Consequently, a property in which could be sufficient to cause a loss of non-residence during a brief stop-over at Gatwick en route to another destination even though it would be impossible to travel to the house in the time available. The right to live in a house is the crucial factor, so even acquiring a property in the name of a son, for example, may not change the position.

However, the Inland Revenue ignores property rented for short periods (furnished accommodation for not more than two years and not furnished for not more than one year) as is property owned but let out on a commercial basis – even if at the time of a visit it happens, coincidentally, to be unlet.

E.P.C.Cotter

BRIDGE

THE FIRST hand today was played by Lorna Byrne and Marjorie James in the Epsom tournament. In a brochure comment, Lorna Byrne says: "This is a deal where the bidding is highly predictable. West opens with one spade, and goes one down if North leads the nine of spades. Here is the hand:

N	E
♠ 9 7 5	♠ 8 6
♥ A Q 9	♥ 4 3
♦ A Q 8 5	♦ 10 2
♣ A 10 6 3	♣ 9 7 4 2
W	S
♠ 5 4	♠ 10 7 3
♥ K 2	♥ 8 6 4 3
♦ K 7	♦ K J
♣ A 10 6 3	♣ K J

With East-West vulnerable West dealt and bid one spade.

Lorna Byrne, sitting in the North seat, doubled. East raised to two spades, and South, undaunted, competed, not with three hearts, but with three spades. Confident that her partner held four hearts, North raised to four spades. The next I got to this was on the Shearson Lehman stand, which had a photocopy from a financial publication of an article headed: "Shearson's Garzarelli gains fame for predicting Wall Street crash."

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When West showed out, his hand was open to a complete count. He had started life with two spades, two hearts, four diamonds, and five clubs. It was time for West to be employed.

The declarer led a diamond which was taken by the queen, and West continued with the 10. Instead of ruffing, dummy let go a club, and when the nine of diamonds followed, dummy threw his last club. The moment of truth had arrived. West had been allowed to make three diamond tricks, but now he had to lead a club – the ace – a low card – and set up the declarer's king for the tenth trick.

So simple – but many a declarer would miss it.

E.P.C.Cotter

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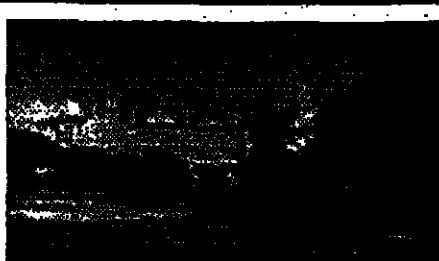
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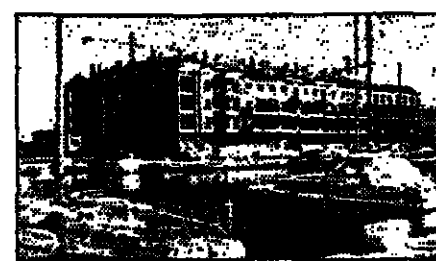
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sionally even this type cannot be inserted and one must use the type of prunting saw often called Grecian, with a curving tapered blade but I have yet to find one that cuts as fast and sweetly as a Bushman's saw.

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FINANCIAL TIMES SURVEY



Inhabitants of Lombardy are among Europe's top wealth creators, akin to their Swiss neighbours. They

combine an innate conservatism with a typically Italian creative urge and entrepreneurial flair. With Milan at the hub, the region is the driving force behind Italy's economic expansion, says Alan Friedman

Italy's best entrepreneur

THE REGION OF Lombardy is one of the most heavily industrialised and wealthy regions of Italy, and Milan, its capital, is generally considered to be the nation's economic capital.

Together with their neighbours in the regions of Piedmont, Liguria, the Veneto and Emilia Romagna, the Lombards rightly claim much of the credit for the industrial renaissance which Italy has enjoyed over the past few years.

A proud and in many ways Calvinistic people, the Lombards are among Europe's most assiduous wealth-creators. Leading Lombard businessmen combine the hard-working conservatism of their Swiss cousins just across the border with a typically Italian sense of initiative and entrepreneurial flair. And even if this is an overly simplified description of nearly nine million people, the economic contributions of Lombardy to the national economy are indisputable.

The Lombards have always been commercially minded and Milan's tradition as a central European trading post goes back many centuries.

It is thus no accident that Lombardy today accounts for an impressive 29.5 per cent of Italy's total export sales, which expressed in absolute terms last year came to L42,253bn. (US \$34.7bn).

Milan is of course the home of the Italian bourse, and trading income here represents around 93 per cent of the nation's share transactions. Lately the stockbrokers and bankers of this Italian boom town have been feeling rather depressed, but this is in line with their counterparts in every other world financial centre.

As a financial centre Milan is the most active city in southern Europe. Some 35 of the 36 foreign banks operating in Italy are based in the Lombard capital, although two-thirds of these are this year expected to turn in losses because of the high cost of interbank funds and the difficulty they have had in competing with local Italian institutions.

Of Italy's 1,101 registered banks some 199 are based in Lombardy, 81 of these in Milan. Of 13,033 bank branches up and down the Italian peninsula, Lombardy hosts 2,374 locations, or 18 per cent of the national total. And when it comes to both bank deposits and lending to industry Lombardy is far and away the national leader.

According to the Bank of Italy total deposit funds in Lombardy amount to L121,536bn (\$89.2bn) or nearly a fifth of the national total. On the loan front, Lombard companies account for 27 per cent of total outstanding advances in Italy, or L34,178bn (\$26.7bn).

The raw statistics only tell a

part of the story however. Mr Roberto Mazzotta, chairman of Cariplo, the Milan-based institution that ranks among the world's largest savings banks, points out that the entrepreneurial spirit of Lombardy has more ancient roots than that in any other part of Italy and industrialisation took place here earlier than in other regions.

Mr Mazzotta stresses that Lombardy has always been a magnet for immigrants from other parts of the country, a region that attracts people who want to work. He should know, being the son of a Pugliese father and Piedmontese mother.

Work is indeed the Lombard ethic. The unemployment level here is 7.5 per cent, compared to a national average that has been oscillating between 11 and 12 per cent. Some 52 per cent of the region's workforce are employed in the services sector, many of them in finance, transport and communications. The centre of Milan in recent years has undergone a dramatic property boom as banks and non-banks have expanded with the stockmarket rise and industrial turnaround.

The boom has also seen the growth of traditional industrial concerns such as Lombardy's most famous companies - Pirelli and Montedison. But small business has also prospered, whether it be the region's thousands of shoemaking, silk, textile and precision engineering companies or its gold, silver and jewellery artisans.

Aside from industry Lombardy is also one of Italy's more fertile dairy and agricultural zones, with prosperous farmers up and down the Po valley. And the industrial determination of private steel and machine tools companies in the Brescia province east of Milan is legendary, although the former have been facing a tough time along with the state steel sector.

The political state of affairs in Lombardy is less reassuring. At the regional level the five-party coalition government led by Mr Bruno Tabacchi, a Christian Democrat, is a mirror of the national political structure found in the Rome government. The regional authorities have had an especially difficult time in recent months trying to first cope with and then administer aid (in conjunction with Rome) to the stricken municipalities in the Valtellina province near the Swiss border, where massive landslides and floods caused death and much destruction.

The activities of the Milan city council have traditionally, however, dominated the Lombard political scene. Milan is the home and power-base of Socialist party leader and former prime minister Bettino Craxi. Until 1985 the city had been governed for a decade by a centre-left coalition

that comprised the Socialists,



Lombardy

Milan's Galleria is a focal point of the city, just as Milan is the hub of Lombardy

Communists and Social Democrats. Now a five party coalition is in place and it is led by Mayor Paolo Pillitteri, a Socialist who is also Mr Craxi's brother-in-law.

The Milan city coalition government has been torn by internal conflict in recent weeks, not least by an alleged scandal which concerns buildings constructed by Mr Salvatore Ligresti, the Milan-based property developer and financier. Two Milan city councillors - Mr Carlo Radice Fossati (a Christian Democrat) and Mr Franco De Angelis (a Republican) - have alleged improprieties related to the Ligresti projects. Details aside, the case, now in court, could have political consequences.

Meanwhile, parties in the Milan council are rowing about different plans for expanding the city's sports capacity in order to host part of the 1990 World Cup football matches.

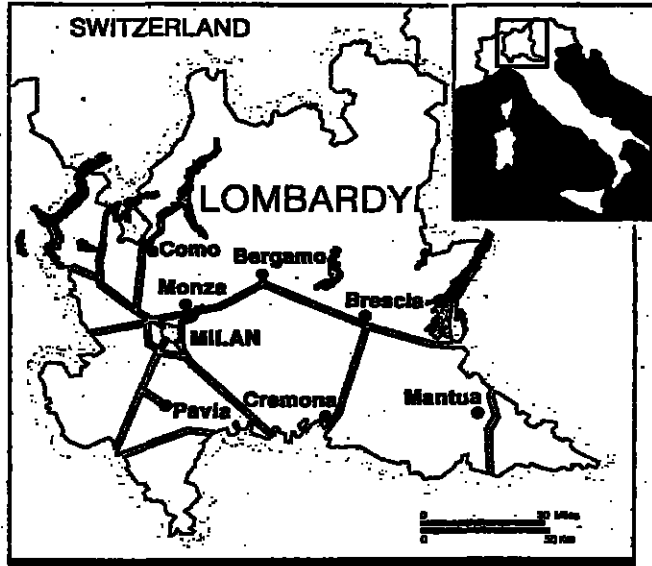
Finally, the mayor recently suggested that the five-party coalition might be opened to other parties and this has led to speculation that the Greens or even Communists might be seeking a role in the city's govern-

ment. This last point relates more to the strategies of Italian parties at the national than local level as city governments in Italy are often seen as testing grounds for future national trends.

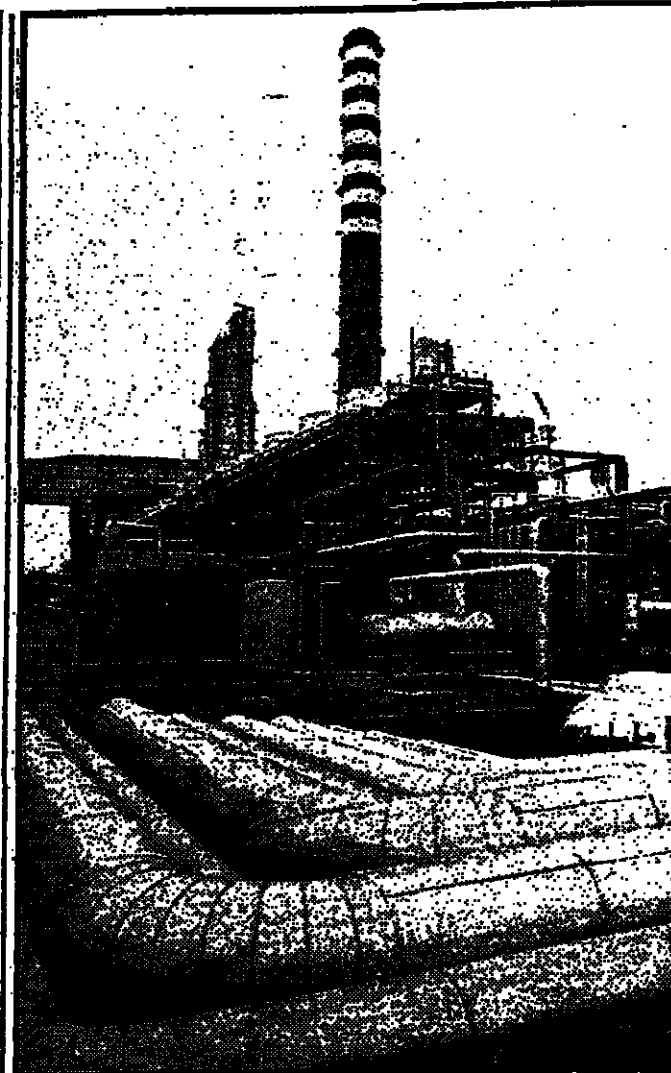
It is not just the politicians who are jockeying for a role in maintaining the momentum of Lombard development. Pirelli, the tyre and cable company which is one of Italy's biggest multinationals, is launching a high-tech science and corporate park on the outskirts of Milan.

Beyond politics and business Lombardy is also an important centre for tourism. Milan itself, despite its wedding-cake Gothic cathedral, is not a great tourist centre, but Lombardy is the home of the famous Italian lakes - Como, Maggiore, Garda and Orta. Its towns include the medieval treasures of Mantua, home of the Gonzagas, the famed monastery of Pavia and the discreet beauty of Bergamo, perched in the foothills of the Alps north east of Milan.

Last, but not least, Lombardy's capital has established itself in recent years as a world-class fashion and design centre.



The Lombards may not have the romantic image of their compatriots in the South of Italy, but they would not want it anyway. They are fiercely independent; with a way of thinking that is more *vestire-Europa* than Latin, and their hard-driving work ethic has made many a Lombard extremely well-off.



The ENI Po oil refinery near Pavia

Finance and Industry

Vital engine of economy

OTTORINO BELTRAMI, chairman at the industrialists' association Assolombarda, had no doubts. "Lombardy is the most fortunate region," he said, "it would be hard to disagree. There is an industrial depth and breadth unmatched by any other Italian region."

The cradle of the country's industrialisation at the turn of the century, Lombardy later led reconstruction in the post-war period, and its manufacturing companies then became the driving force behind the 1980s economic miracle.

Geography and time have helped the region to build a solid industrial base. Being the part of Italy closest to northern and central Europe has meant being nearest to markets and to outside influences. Lombard industrialists have grasped these advantages and exploited the opportunities offered by always being in the country's vanguard of industrial progress.

Roberto Mazzotta, chairman of the Lombard savings bank Cariplo, described the region as possessing three fundamental characteristics. "There is a highly diversified fabric, with a balanced spread of small, medium and large companies. Second, the business spirit is long-standing and well-rooted. The industrial craftsmen or journeymen of the 18th century were the predecessors of today's industrialists. Third, industry enjoys support and encouragement, and in this the role of Austrian fiscal policy should not be underestimated," said Mr Mazzotta.

It will be no surprise to those who know Milan that the Lombard capital enjoys the predominant role in the region's industry. The visitor by air, rail or road cannot fail to notice the many factories in and around the city.

"In terms of jobs, more than one half of Lombard industry is found in Milan province," said Mr Beltrami. "IBM and Honeywell in computers, Montedison in chemicals, Pirelli in rubber and cables, Falck in the steel sector, Borsetti, Marzilli and Sma in electronics, and Alfa Romeo in motorcar manufacturing. Milan province offers an enormous variety of sectors and companies," said Mr Beltrami.

Although Milan is Lombardy's industrial centre of gravity, the

region's other eight provinces are certainly not arcadian havens spared the presence of factories. Indeed, Mr Beltrami described the Brescian metallurgical and machine tools industries as Lombardy's diamond point. Varese is known for shoes and textiles, while neighbouring Como has silk and furniture making. Even provinces which are considered agricultural, like Cremona, Mantua and Pavia, have significant pockets of industry.

The contrast between industrial and agricultural Lombardy can be sharp, particularly where traditional smockstack industries are concerned. The oil refineries, steelworks and chemicals plants near the city of Milan are representatives of heavy industry whose presence is less welcome in a period when increasing importance is being given to the environment.

Milan province had first hand experience of ecological disaster when a dioxin plant exploded at Seveso in the northern part of the city's industrial ring. Assolombarda is aware of the environmental issue.

"Above all business has a moral duty not to cause damage. We recognise the need to spend and do more. But the matter must be faced rationally to ensure that the cure is not worse than the illness," said Mr Beltrami. However, according to Mr Beltrami, industry is not the only environmental marauder in Lombardy.

Other culprits can be identified. Indeed, he suggested that the agricultural sector is more blameworthy than industry. "Farmers do not care about the environment. They choose the cheapest and quickest solutions to problems," he said.

"But why does industry not develop and produce non-damaging herbicides and pesticides?" asked Mr Nino Pisoni, who is one of several members of the European Parliament who represent the interests of the Christian Democrat Farmers' Union, the *Coltivatori Diretti*.

He heads the *Coltivatori Diretti* Lombardy branch and has been able to see the results of disregard for the region's ecology. "The River Ticino was once full of fish, but it is now an open drain. Indus-

Continued on next page

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LOMBARDY 2

Cremona carries on a tradition made famous by Stradivari

Craftsmen stay in tune

ANTONIO Stradivari's date of birth is unknown. No birth registration has ever come to light and nothing is recorded about the parents and childhood of the world's most-famed maker of stringed instruments. Historians are undecided whether Stradivari's year of birth was 1644 or 1645. They do know, however, that he died on 18 December 1737.

This year's events in the beautiful and historic Lombard city of Cremona therefore commemorate the 250th anniversary of Stradivari's death. Four weeks of concerts started at the end of August with the English Chamber Orchestra and Pinchas Zukerman. The rich programme of music was brought to an end by the Orchestra Filarmonica della Scala conducted by Claudio Abbado. The concert of works by Brahms had Salvatore Accardo as the soloist in the violin concerto.

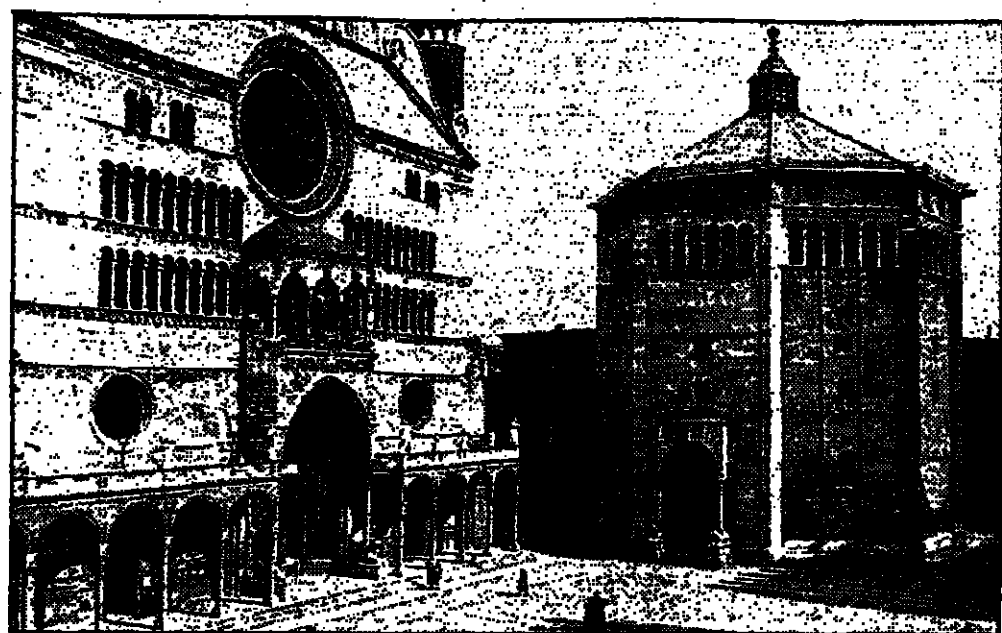
While live music was an important part of Cremona's homage to Stradivari, the specially mounted exhibition of his instruments was the central happening. Nearly 50 violins, violas and cellos were brought together from many countries and put on show in the Palazzo Comunale. From the 'Tullay' violin of 1670 to the Monty violin of 1736, visitors were given the opportunity to examine the instruments at close range, and be surprised and charmed by their beauty and their fine condition so many years after leaving the master craftsman's workshop above all.

Stradivari's instruments have been invested with almost mystical qualities, exciting admiration and emotion. Though the secrets of his art have now largely been unveiled, the exhibition in Cremona drew today's craftsmen in considerable numbers. Armed with torches, they gazed at and studied the shaping and carpentering of the varnishes.

Antonio Stradivari is a fascinating figure for several reasons. The gap in knowledge about his birth and childhood provides an element of mystery. And his prodigious output amazes. It is estimated that during a working life of over 70 years he made well over 1,000 instruments. More than 600 of his violins are known to exist, and all Stradivari represents a pinnacle of creativity in instrument making.

In Antonio Stradivari the Cremonese School, of which Andrea Amati was the founder at the beginning of the sixteenth century, reached its peak. It is generally held that the perfection of Stradivari's violins is due to the marriage of fine structural design to superb quality of sound. Achieving its zenith with Antonio Stradivari, the classical Cremonese School also arrived, however, at its culmination.

That it developed and thrived over an arc of more than two centuries, is attributable in fair measure to Nicola Amati, the grandson of Andrea. He had many apprentices. It is believed that both Antonio Stradivari and Andrea Guarneri, the fine maker of another family line of Cre-



The Duomo and cathedral in Cremona

monese instrument makers, were taught by Nicola Amati. However, although the sons of Stradivari and grandsons of Andrea Guarneri continued the tradition, they were all dead within a short period of Antonio Stradivari.

The names of the instruments exhibited in Cremona's Palazzo Comunale are very evocative: La Cathedrale of 1707, the Gore-Booth cello of 1710, the Bell of 1714, the Gremone and Tisano of 1715, the Lady Hunt of 1721, the Season of 1728 and the Gib-

Nearly half of Italy's instrument makers are registered with the city's Chamber of Commerce

son viola of 1734. Visitors were able to see a treasure-house of instruments. But Andrea Mocchi, the city's curator of instruments, said that although the exhibition was insured for £60m it was virtually impossible to attribute a monetary value to the works on display.

September's anniversary to remember Antonio Stradivari helped to focus attention on Cremona's present as well as on the city's past. There has been a renaissance in instrument making. Nearly one half of Italy's 125 recognised craftsmen in the sector are registered with Cremona's Chamber of Commerce. Total annual national production of stringed instruments of quality numbers about 1500, of which 900 are made in the craftsmen's workshops of Cremona. It is estimated that their business brings the city about £3m each year.

Globata Morassi, though Friulian by birth, has worked in Cremona since the late 1950s. He is widely recognised as the leading luthier today, and the person

who has done most to revive the art and skill of instrument making in the Lombard city. In spite of the establishment of a state institute of violin making in Cremona as part of the 200th anniversary events in 1937, little progress was made in rebuilding the tradition of the classical school until the 1970s.

As a teacher at the institute and through his own workshop Mr Morassi has been instrumental in underwriting Cremona's claim to be the city of violins. Kept busy by orders from clients, invitations to adjudicate at professional exhibitions and by his work as chairman of Italy's association of luthier professionals, Mr Morassi admits that nowadays he no longer has the time necessary to follow and help apprentices. But during the past 30 years he has been master to over 50 pupils.

Production from Mr Morassi's bench in his workshop in Cremona's medieval centre is small. He makes between eight and ten instruments each year for individual order, not for stock. At present he has two years work in hand. It seems that healthy order books are usual for the city's top instrument makers.

"You will certainly not find stock in the 'botteghe' of the best 'maestri luthieri'," said Mr Morassi. With high quality concert violins from today's best-known luthiers costing £10m and more, their business presents a rosy picture. However, lower down the scale some instrument makers are enjoying less buoyant conditions. Apprentices and non-registered craftsmen represent severe competition from the sector's black economy. They are also a threat to the sector's good name.

But for Mr Morassi a bigger problem is posed by raw materials. Wood for instruments still comes from the same areas which served Stradivari. Seasoned wood of good quality is becoming increasingly difficult to find. Balkan maple for instruments'

backs comes from Yugoslavia, Austria and Germany while spruce for tops is found in north-eastern Italy. Clearly proximity to raw materials has not been a factor behind Cremonese violin making.

From a professional point of view Mr Morassi was enthusiastic about the Stradivari exhibition. "It had to be seen several times in order to understand how Stradivari's artistry and technique developed. It was a lesson," he said.

He also noted that the exhibition attracted foreigners who then visited the workshops of Cremona's luthiers. About 95 per cent of his instruments are made for foreign clients, Japanese, Americans and Germans, so he is very aware of the 1987 anniversary's yield in terms of marketing and image-making.

Exports are crucial for most of the top instrument makers working in Cremona today. Dawne Eddels is a South African who has lived in the city since the early 1970s, first studying at the institute for four years and then setting up her own workshop. Her speciality is cello making. Nearly all these which she makes cross the Atlantic to serve teachers at US conservatories and players in US orchestras.

In this respect, as well as in a profound love for their art and craft, the luthiers of Cremona in 1987 are following the example of their illustrious predecessors.

Although situated in the rich agricultural area of the Lombard plains, about 50 miles east of Milan and off the beaten track, Cremona is far from being a provincial city isolated from the world outside. The presence of foreign students at the institute of violin making and the workshops of foreign luthiers point to the city's openness to outsiders and its international awareness.

David Lane.

Profile: Leopoldo Pirelli

Aristocrat at the wheel

LEOPOLDO PIRELLI does not like publicity. The 62-year-old chairman of the eponymous tyre and cables group is a shy and discreet individual, an introvert whose assiduous shunning of the limelight makes him the exact opposite of Gianni Agnelli, his close friend and long-time ally in the Italian business world.

While Gianni was brought up in a Jewish and princely style to expect wealth and power, Leopoldo's upbringing embodied the severe and Calvinistic principles of his Milanese industrial family. And so in the 1960s, while his friend the Fiat heir from Piedmont was still enjoying a playboy existence on the Côte d'Azur, Leopoldo was already enmeshed as managing director of the tyre business, putting in long hours of toil amid the grey of Lombardy's capital.

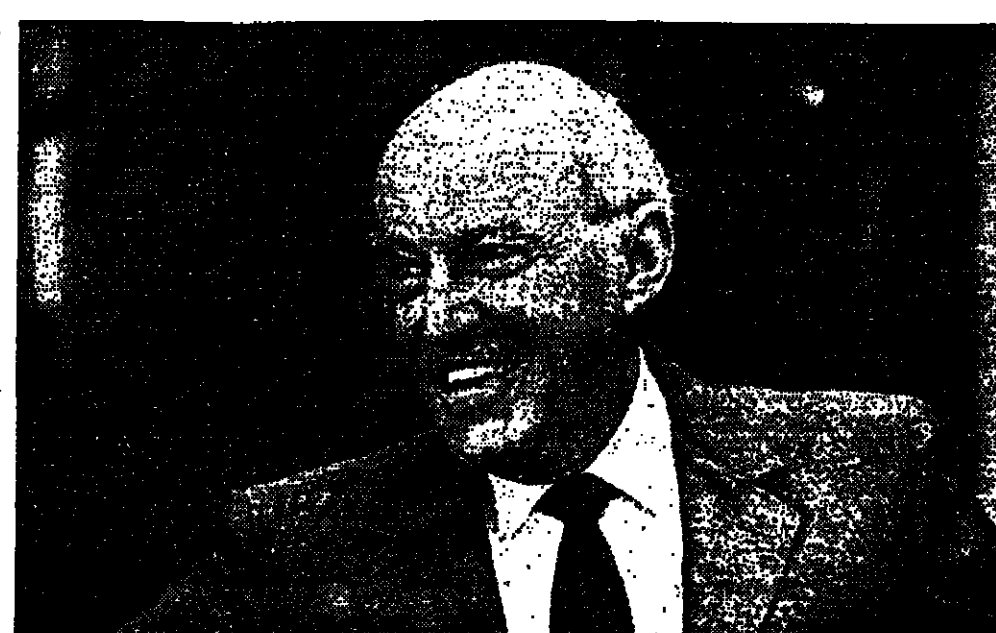
From an early age Leopoldo had less reason to nurture the kind of flippant sense of humour that he so admires in his friend Gianni Agnelli. As a child in the Pirelli home he was accustomed to hearing his father Alberto Pirelli talking shop.

When it came time to choose a university it was Mr Luigi Einaudi, the family firm's chief engineer, who decided that Leopoldo would enrol in mechanical engineering at Milan's polytechnical institute. And while in theory it should have fallen to his elder brother Giovanni to have taken charge at the family company, Leopoldo stepped forward in 1954 when his brother chose instead to pursue a career in socialist politics and philanthropy.

In 1959, when his father was stricken by a serious illness, Leopoldo assumed command of the Pirelli group as chief executive officer. He has remained in charge ever since. A fluent English speaker with an English sense of understatement, Mr Pirelli is an aristocrat, in the sense that he can be seen by the way he does on the chequered Italian National cigarettes.

In public appearances he seems ill at ease, in private he likes nothing better than to listen to his friends talk while sipping from a glass of good Scotch whisky.

Pirelli's modest headquarters, Leopoldo is very much the feared and respected compa-



Leopoldo Pirelli: shunning of the limelight

ny patriarch, grandson of Giovanni Battista Pirelli, the man who founded the original rubber products business in 1872. He is surrounded by a small group of top executives, conservative and polyglot men of the world who preside over an empire of 130 tyre and cable operations in 16 countries.

With more than two thirds of last year's sales of \$4.7bn derived from outside of Italy the Pirelli group ranks as the most multinational of Italy's big companies. And while Pirelli is the fifth biggest Italian private sector concern (after Fiat, Montedison, Ferruzzi and Olivetti) it produces an 'aggregate' rather than a consolidated balance sheet. This is because of the fragmented shareholding structure of the group which has the Milan-based Pirelli and Company owning roughly 18 per cent of two different holding groups - one Italian and the other Swiss - that in turn control the world-wide operations. Leopoldo's family has only around five per cent of Pirelli and Company.

Pirelli's structure is a hold-over from the days when working in foreign currencies was easier to do from Switzerland than from inside Italy and today

the group sees no reason to make a radical change in order to consolidate the accounts.

Mr Pirelli takes the main strategic decisions, but relies on his top executives to handle day-to-day matters. A stern man in some respects Leopoldo has no qualms about taking responsibility for past errors. Thus in a recent Harvard case study he owned up to the disastrous Pirelli-Dunlop marriage of 1970 that ended in divorce and losses a decade later.

Likewise, in the mid-1970s he twice refused the presidency of Confindustria, the Italian employers' association, in order to concentrate on managing his group. And when the need to raise cash called for the sale of the landmark Pirelli tower in Milan, Leopoldo took what must have been a painful decision and moved from his eyrie on the tower's 30th floor to a more modest book-lined office on the second floor of a less imposing headquarters building a few steps away from Montedison's in another part of Milan.

In the Italian business world Leopoldo Pirelli is of course decidedly establishment - he is seen to do from Switzerland industrialist and given his man-

ner and tastes probably its most quintessential representative as well.

He sits on the boards of several establishment concerns, among them Mediobanca, the Milan merchant bank that for the past generation has been run by Mr Pirelli's friend and mentor, the secretive Enrico Cuccia. Mr Cuccia is the man who designed and held together a spider's web of industrial cross-holdings which in the view of reformers in Italian capitalism has maintained an oligarchic power structure of which Pirelli is an integral part. What Cuccia wants, Leopoldo once remarked, "God wants too." But Leopoldo Pirelli is not quite the grey boardroom figure that his self-effacing image might suggest. Aside from the charm and wit his friends say he exhibits at private dinners, the man is also a passionate opera buff and lover. He loves slipping away from work and retreating to his box at La Scala and he is said to be most at peace with himself when motoring down to the Riviera to join his crew of two who care for the Sella, his 60-foot ketch.

Alan Friedman

Vital engine

Continued from previous page

top of Italy's agricultural league table. And it would be wrong to think of Milan as only industrial, the Milan province has huge and the claims and counter-claims as to the responsibility for it. Lombard agriculture matches industry in terms of diversification, efficiency and economic health. Lombardy ranks at the

top of Italy's agricultural league table. And it would be wrong to think of Milan as only industrial, the Milan province has huge and the claims and counter-claims as to the responsibility for it. Lombard agriculture matches industry in terms of diversification, efficiency and economic health. Lombardy ranks at the

duction. The irrigated meadows known as 'le Marce', which are fed by the rivers of the Po valley and an extensive canal system, enjoy a plentiful supply of water. Farmers can obtain up to six cuts annually of good forage for cows.

Milan and Cremona are important provinces for dairy farming. Brescia and Mantua are prominent in rearing livestock for meat. The cultivation of maize is widespread in the area south-eastwards from Milan. Rice fields

lie to the south-west of the city, their mirror surfaces giving the false impression of flooding to unknowing passengers on aircraft on the approach to Linate airport.

Pavia is the province where Lombardy's rice-growing is concentrated. But Pavia is also a microcosm of Italian agriculture. "There is every kind of farming in Pavia. Livestock, maize, rice, beet, fruit and excellent wines," said Mr Pisoni. Indeed the Oltrero Pavese is the source of excellent sparkling wines and some good reds like Bonarda. In the province making foodstuffs, Galbani, Invernizzi, Citterio, Vismara and Polenghi Lombardi are the best-known local names.

Polenghi Lombardi is owned by an affiliate of the Coldiretti, its dairy factory at old south of Milan's local milk into fresh cheese, Gansu Padana (the Lombard answer to Parmesan), gorgonzola (a real Lombard original) and butter.

Behind the region's highly developed agricultural and industrial economy there is a banking structure to match. Figures from the Italian banking association ABI show that Lombardy hosts the head offices of 160 different banks. There is a total of nearly 2400 different branches in the region. At the end of last year these held deposits of L121,543bn, equal to 28 per cent of total deposits in the Italian banking system. The runner-up region was the capital's Latium with L64,491bn.

Lombardy also leads the way in lending. With L84,088bn on loan Lombardy had 27 per cent of the national total. The chairman of Cariplo, which as well as holding the biggest share of the Lombard banking market, also lays claim to being the world's largest savings bank, sums up the region. "Our typical customer is a small to medium-sized firm in agriculture, industry or the service sector. There is no concentration of risk and default problems are minimal. The bank and its customers complement each other. Heavily capitalised, Cariplo has made its reputation for solidity, trust and efficiency," said Mr Mazzotta.

David Lane.



TEATRO ALLA SCALA

Sovrintendente
Carlo Maria Badini

Direttore artistico
Cesare Mazzola

Direttore musicale
Riccardo Muti

Direttore del Coro
Giallo Bertola

Stagione 1987-88

Don Giovanni
Musica di Wolfgang Amadeus Mozart
Direttore: Riccardo Muti - Regia di Giorgio Strehler
7.10.12.15.17.19.22.24.28.30 dicembre 1987; 2 gennaio 1988.

Lo schiaccianoci
Musica di Piotr Il'ic Ciaikovskij
Direttore: Michel Sasson
Coreografia e regia di Rudolf Nureyev
16.18.20.31 dicembre 1987; 3 (due rapp.), 5.6.10 (due rapp.); 2 gennaio 1988

I due Foscari
Musica di Giuseppe Verdi
Direttore: Giandomenico Gavazzoni
Regia di Pier Luigi Pizzi
12.15.17.20.31 gennaio; 3.6 febbraio 1988

Apollon Musagete
Musica di Igor Stravinskij
Coreografia di George Balanchine
Duo (de "Les Valseuses")
Musica di Richard Wagner e musica indiana
Coreografia di Maurice Béjart

Le corsaire
Musica di Riccardo Drigo
Coreografia di Marius Petipa

Five Tangos
Musica di Astor Piazzolla
Coreografia di Hans van Manen
15.16.17.19.20.21.22.23.24 gennaio 1988 (al Teatro Nuovo)

Fedonte
Musica di Niccolò Jommelli
Direttore: Hans Vonk
Regia di Luca Ronconi
(Prima rappresentazione in Italia)
30 gennaio 1988:
2.4.7.9.12.14 febbraio 1988

Adriana Lecouvreur
Musica di Francesco Cilea
Direttore: Giuseppe Patané
Regia di Lamberto Puggelli
(Alleanza in coproduzione con il Teatro Comunale di Bologna)
20.23.25.28 febbraio; 1.4.8 marzo 1988

L'angelo azzurro
Musica di Marius Constant
Direttore: Michel Sasson
Coreografia di Roland Petit
(Coproduzione Ballet National de Marseille/Deutsche Oper Berlin)
26.28 febbraio; 5.6 (due rapp.), 11.13 (due rapp.) marzo 1988

Giselle
Musica di Adolphe Adam
Coreografia di Giovanni Coralli e Jules Perrot
27.28 febbraio;
1.2.3.4.5 marzo 1988 (al Teatro Lirico)

Der fliegende Holländer
Musica di Richard Wagner
(Edizione in lingua originale)
Direttore: Riccardo Muti/Walter Weller
Regia di Michael Hampe
24.25.27.30 marzo;
2.5.8.10.16.20 aprile 1988

Serata Alvin Ailey
Coreografia di Alvin Ailey
29.30.31 marzo; 1.2.5.6.7 aprile 1988

L'elisir d'amore
Musica di Gaetano Donizetti
Direttore: Giuseppe Patané/Armando Catto
Regia di Andrea Ruth Shammah
14.17.19.21.24.26 aprile
15.18.24.26.29 maggio 1988

La fille mal gardée
Musica di Peter Ludwig Hertel
Direttore: Michel Sasson
Coreografia di Heinz Spoerli
15.17.22.23 (due rapp.) aprile 1988

Five Tangos
Musica di Astor Piazzolla
Coreografia di Hans van Manen

Passo a due

Bolero
Musica di Maurice Ravel
Coreografia di Maurice Béjart
28.29.30 aprile; 3.4.5.6.7 maggio 1988 (al Teatro Lirico)

Zar Salтан
Musica di Nicolaj Rimskij-Korsakov
Direttore: Vladimir Fedosejev
Regia di Luca Ronconi
5.6.7 maggio 1988 (al Teatro "Romolo Valli" di Reggio Emilia)
13.14.15.17.19 maggio 1988 (al Teatro Lirico di Milano)

Montag aus Licht
Musica di Karlheinz Stockhausen
Direttore: Karlheinz Stockhausen,
Peter Eötvös, Jan Pawer
Regia di Michael Bogdanov
(Prima rappresentazione assoluta)
7.8 (due rapp.),
10.11 (due rapp.), 12 maggio 1988

La Sifide
Musica di Hermann Severin Lowenskiöld
Direttore: Michel Sasson
Coreografia di Flemming Flindt
21.22 (due rapp.) maggio;
1.3.5 (due rapp.) giugno 1988

La Bohème
Musica di Giacomo Puccini
Direttore: Carlos Kleiber
Regia e scene di Franco Zeffirelli
2.4.9.13.15.18 giugno 1988

Nabucco
Musica di Giuseppe Verdi
Direttore: Riccardo Muti
Regia di Roberto De Simone
14.17.20.23.25 giugno 1988

Balletti del Teatro Kirov
21.23.24.25.26 (due rapp.) giugno 1988 (al Teatro Lirico)

Serata di gala dei Solisti del Teatro Kirov
22 giugno 1988

Don Chisciotte
Musica di Ludwig Minkus
Direttore: Michel Sasson
Coreografia e regia di Rudolf Nureyev
24.27.28.29.30 giugno 1988

Turandot
Musica di Giacomo Puccini
Direttore: Lorin Maazel
Regia e scene di Franco Zeffirelli
7.9.11 luglio 1988

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Ipack-ima '88
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Ipack-ima, founded in 1961 and still going strong, has organized, during more than a quarter of a century of activity, numerous editions of an exhibition that has a record of uninterrupted expansion (from 50,000 m² in 1961 to 170,000 m² in 1985) and, in doing so, has acquired a wealth of experience and information for the benefit of exhibitors and visitors. The best proof of the validity and effectiveness of the exhibition is the regular attendance of many exhibitors right from the very beginning.

Further proof is the large number of qualified visitors and where they come from - not just Europe, but Asia, Africa and the two Americas. Ipack-ima's position and packaging sector takes a rightful place alongside similar exhibitions held in Düsseldorf, Paris and Birmingham, and it takes in every sector (machines and products, paper, glass, wood, plastics, etc.).

As regards machines for the food industry, Ipack-ima has specialized in the field of cereals and their by-products, so that today it has become the only important European exhibition in this sector, with machines and systems for flour mills, pasta factories, seed factories, rice factories, bakeries, biscuit factories and animal feedstuff factories, as well as many other food sectors, such as confectionery, meats, oils and fats, and fruit and vegetable products.

Janet Marsh previews sales of racehorse portraits by George Stubbs

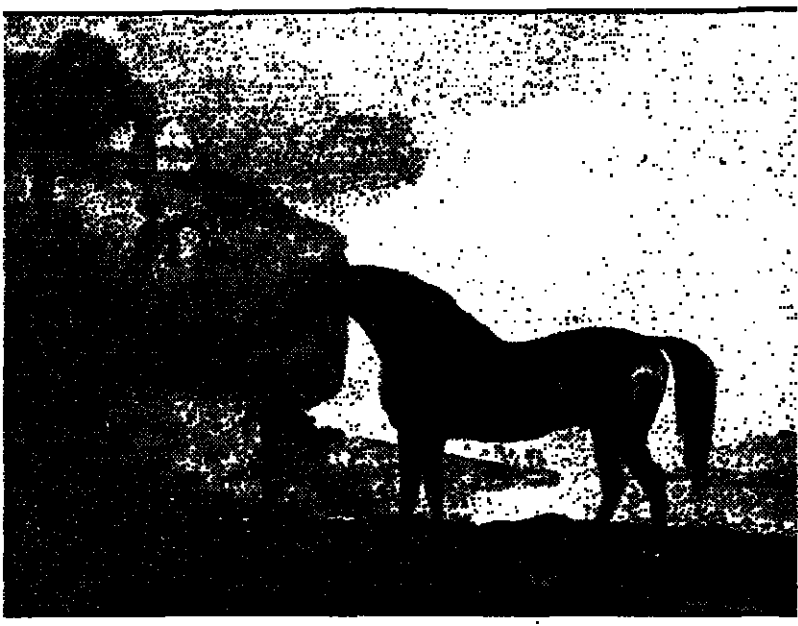
Painter by appointment to the equine fancy

FOR A painter in the 18th and early 19th century, there was no better business than supplying portraits of horses. Civilised society depended upon the horse. It provided power and transport in peace and war. It was indispensable to the principal sports of the English gentry, hunting and racing. A gentleman's stable was a measure of his status. He wanted his stars recorded on canvas.

Eighteenth century boys were as passionately absorbed in the niceties of horse flesh as their descendants would be in railways, racing cars or aircraft. The biographies of most of the great horse painters record childhood passions for drawing horses. Many of them were brought up with the animals. George Stubbs' father was a currier - a dyer of hides. The adolescent Sawrey Gilpin was fascinated by the draft horses in Covent Garden market. John Frederick Herring spent his early manhood as a coach driver.

Despite the abundance of fine equestrian painters - John Wootton, the Sartorius family, George Morland, John Philip Reinagle, James Ward and Ben Marshall - it was hard for them to keep up with the huge demand. Genius and journeyman alike were kept busy dispatching by coach from one end of the country to the other to record the current pets of English landowners. Their work adorned every great house in the country. The shrewd horse painter could become rich.

The greatest of them all, George Stubbs, was as prolific as the rest, but he never became rich: too much of his energy was devoted to study and science. Basil Taylor called Stubbs, next to Leonardo da Vinci, the greatest painter-scientist in history. Today this



Stubbs' portrait of Marske, the sire of Eclipse, against a romantic landscape

view does not seem excessive, though it took the English a long time to recognise an artist with so homeopun a name as one of the world masters of painting. Born in 1724, Stubbs had very little formal training. He was fascinated by anatomy and became so expert that he lectured at York hospital and illustrated a scientific work on midwifery - learning the technique of engraving so that

he could make his own plates. Subsequently he spent a year and a half on a Lincolnshire farm, scientifically dissecting and drawing horses. The outcome of this grisly research was *The Anatomy of the Horse*, published in 1766 with illustrations etched by Stubbs himself. It remains a classic, a rare combination of science and beauty. The remaining 40 years of Stubbs'

long life were mostly occupied with commissions for horse portraits, though he found time to experiment with a chemistry and techniques of enamel painting. His mastery of anatomy gives his paintings a rare veracity: we can unhesitatingly accept Stubbs' evidence of the changing form of the thoroughbred horse.

There is much more than scientific documentation in his paintings however. He is a master of composition. His animals have a unique vitality, with nothing wooden in their repose. They merely seem obligingly to have paused in their motion to allow the artist's observation: there is a tension that suggests that the next moment they will toss their heads and canter off. When they have human companions and attendants, these too are vividly characterised.

Several important Stubbs paintings appear at auction in London next week. By far the most important is a portrait, signed and dated 1770, of Eclipse, the most famous horse in the history of English racing. Bred by the Duke of Cumberland, he was foaled during the great eclipse of April, 1764, never beaten on the track, he is said to have sired 334 winners; his descendants have included more than 100 Derby winners.

The composition is extraordinary - even eccentric. Instead of the usual pastoral landscape background, Stubbs places the horse before the rubbing-down house at Newmarket - a geometric mass which dominates the right side of the picture. The edge of the stable is ingeniously bleached the composition. The blank wall of the shed provides an isolated background for the young groom and hawk-nosed jockey in attendance. Stubbs' most curious experiment is to allow the edge of the build-

ing to cut across the horse's neck.

It is hard to guess what price the picture will realise, except that it is likely to be well in excess of £500,000. A companion piece from the same property - originally in the possession of Eclipse's last owner Col Dennis O'Kelly - is Stubbs' portrait of the sire of Eclipse, Marske. This shows a lovely dark bay horse against a rocky romantic landscape, and is estimated in excess of £400,000. A third Stubbs portrait in the same sale shows a bay racer, Sweetwilliam.

An earlier historic horse, Flying Childers, also figures in the Christie sale on November 20. The first great English thoroughbred, he was sired in 1716 by the Darley Arabian - one of three legendary Arab stallions brought to Britain to transform the bloodstock at the same period. (The others were the Byerley Turk and the Godolphin Arabian). In his day Flying Childers was reckoned the greatest racehorse ever seen. The anonymous contemporary painting shows him on Newmarket Racecourse attended by a groom. It is a trifle wooden, but not without charm, and is estimated at £150,000-£200,000.

Yet another Stubbs appears in a Sotheby's sale on November 18. This shows a sturdy country squire with a fine chestnut hunter against an idyllic, perhaps West Country, landscape which lake and distant mansion. Signed and dated 1768, it is expected to realise £100,000 to £150,000. The Sotheby sale provides a positive panorama of 18th and 19th century equine portraiture, including paintings by Thomas Waverley, Gilpin, Ward, Francis Sartorius, William and Henry Bayard, Charles Towne, David Dalby of York, Harry Hall, Ben Marshall and H.B. Chalon, with estimates ranging from £3,000 to £150,000.



Beside the river of many tongues

Nicholas Parsons joins a multi-national fishing party on the romantic Danube

IT WAS a blustery autumn Sunday on the Danube. As we crossed the footbridge to the Donau Insel we could see wind-surfers hurtling across the river, hitting the water with a smack each time they turned.

Downstream the anglers gathered in bedraggled heaps along the bank; the *crème de la crème* of Hungary, Yugoslavia and the Viennese suburb of Floridsdorf.

They had been fishing for two hours in a three-hour competition. My wife translated for Hungarian Television which sent a two-man crew to catch the high drama. We also had to act as spectators, in and out of camera-shot like extras in a low-budget western.

The Hungarian contingent wore clothes straight from an advertisement in *The Field* and all sorts of ancillary high tech, even down to floss-covered rod rests.

The Hungarian captain, dressed in red track-suits, was catching more fish with fishing glass rod slightly shorter than a telegraph pole, hauling one after the other from the dirty brown water. A small Austrian in a Tyrolean hat, who had caught only four or five tiddlers, seemed sunk in despondency; he stared incoherently at his fashionable boots.

A very light announced the end of the contest. Each angler's fish were extracted from their net cages, poured onto a weighing machine, then tipped unceremoniously back into the river.

The large bream swam towards Floridsdorf; to be caught by anglers lining the opposite bank, while the small fish floated pathetically, belly upwards, as though they were dead. When they thought no one was looking they righted themselves and slid off into the depths.

Hungarian captain Janos Engert clocked up some 9½ kilos of fish, the Hungarian coach looking quietly confident. You have to win at club level, county level and national level before having a hope of getting into the Hungarian national team.

There are 350,000 registered anglers; competition is fierce. No wonder they put all the fish back and spend a proportion of club subscriptions on restocking.



As we downed our *heurige* wine Herr Schatzl talked about his father, a Danube riverboat captain. At one point our host interrupted to say that silver carp lived most of their lives in the Danube delta. Herr Schatzl thought the delta had nothing to do with it; what ruined the carp fishing higher up the Danube were the power stations.

This brought the conversation into a delicate area: Austrian companies are about to build a hydro-electric dam over the border in Hungary - an unpopular project with Hungarians but much desired by the Czechs, who will take most of the electricity.

Herr Schatzl's dream was a resurrection of the Austro-Hungarian empire along fishing lines. The Czechs and Rumanians are invited to the annual angling contests, but it seems they are not allowed to come. Perhaps the authorities sense the infectious, engaging idealism of the fishing fraternity.

These masochistic sportsmen are almost capable of creating a de facto multinational fishermen's republic, whose most representative laws would concern the number of fish that may be caught and the number of rods allowed per angler.

Nicholas Faith on a bid by Parisian auctioneers to rival London

Encore at the Hotel Druot

BELEATEDLY, Parisian auctioneers are fighting back against Anglo-Saxon domination. Next Friday the superb collection of modern pictures accumulated by Georges Renard comes under the hammer, not at the city's normal auction rooms, the Hotel Druot, but at the Theatre des Champs-Elysees in the Avenue Montaigne, renamed Druot Montaigne for the occasion.

In the course of a long life, Renard, one of the owners of the Samaritaine department store, bought a wide range of paintings, from some superb Corots to some highly important Modiglianis, one of which, *Nue Assise sur un Divan*, carries an estimate of between FF40m and FF50m (\$4m to \$5m).

The sale represents something of a triumph for Maitre Joseph-Marie Millon, president of the notoriously named *Chambre des Commissaires Priseurs de Paris*. France's commissaires priseurs - 100 work in Paris, 150-odd in the provinces - are government officials who until now have enjoyed a monopoly of auction sales.

But their licences are individual ones and until now only one group, *Ades Picard et Tajan*, has been able to offer vendors a comprehensive service. Their monopoly is doomed because of the EC

free trade policy, and when it goes, which could be in months, not years, Sotheby's is likely to open in Paris, with Christie's not far behind.

In anticipation the Paris Commissaires are forming themselves into groups; Maitre Millon has assembled five of his colleagues to help him with the Renard sale. But many other commissaires are content with an easy life, relying on the share of the profits to which their licence entitles them. Some of the more active auctioneers are not as scrupulous as might be expected from employees of the French government: bids, it is said, bounce too often from chandeliers to chandeliers to trap unwary bidders.

For the monopoly, while costly, has cost the Paris market dear. Until 30 years ago the Hotel Druot was far more important than the auction rooms in London, and in New York. But it has now fallen far behind. Last year a mere FF1.253m (\$125.3m) of goods passed through Druot.

This was four fifths of the French total but less than half the amount sold by Christie's or Sotheby's in London.

Yet the modern craze for Impressionist and Post-Impressionist paintings dates from the sale of the collection accumulated by Renard's friend Gabriel Cognac. In May 1962 a *Gazette* still life, Apples and Bananas, fetched \$33,700. At that point prices, it was assumed, had gone about as far as they could go.

Of course they hadn't. Five years later the Greek shipowner Basil Goulandris paid \$106,000 for a Gauguin. By that time the late Peter Wilson of Sotheby's was on the warpath, and since 1957 the Hotel Druot has become largely the stamping ground for amateurs, or for dealers on the prowl for bargains.

Ten years ago the Commissaires Priseurs missed a unique opportunity. When they outgrew their old premises they were housed in the then-disused Gare d'Orsay which they could have bought for a song. Instead they

rebuilt on the same tiny site and the Gare was transformed into a magnificent museum housing the best of French 19th century art.

Today the new Hotel Druot, a dreary warehouse of a place, is grossly overcrowded, with 8,000 visitors a week crammed into a series of small auction rooms designed for a quarter of that number. Moreover, dealers - many of them acting for London colleagues - do not find as many bargains as you might expect, if only because the quantity of any particular genre of objects is so much smaller than in London, and demand has risen steeply in the past couple of decades.

The French government has the right to prevent the export of works of art by buying them for the same price as they were sold at auction. Apparently, however, Maitre Millon has persuaded the government to let most of the Renard collection (apart from two Van Goghs) out of the country.

But the government's right to buy is not the only hurdle which could hobble his counter-attack. The London auction houses have well-oiled publicity machines, and though the Renard collection has been shown in New York and Tokyo, Maitre Millon and his colleagues do not have the same sales machinery as their London competitors.

Over the past 30 years the London auction houses have greatly expanded the depth and breadth of the expertise they can offer. The French auctioneers employ experts, themselves licensed by the French government, who normally take a fee of 3 per cent in return for certifying that the picture or object on sale is genuine. The French - collectors and auctioneers alike - attach a greater importance to these certificates than do other nationalities, who rely on Sotheby's and Christie's. A general desire not to make fools of themselves by selling fakes.

But the French auctioneers' biggest handicap is fiscal. In his

manifesto *Innocent Four Reussir*, published earlier this year, Maitre Millon hammers away at a multitude of burdens, most notably the seven per cent registration tax shared between the French state, individual departments and the city of Paris. This prevents French auctioneers from charging the 19 per cent buyers' premium which now provides such a solid income base for their London-based competitors. Maitre Millon is hoping that the French treasury will reduce the burden.

He is also injecting a strong dose of showmanship into the Renard sale. The public will be able to view the collection all Thursday night until 4 am Friday and two days later, after Picard et Tajan is mounting a Sunday sale.

When the theatre returns to its normal use Druot will replace the picture gallery. This will be used for specialised sales, preceded by proper viewing periods. The counter-attack will undoubtedly live up to the Parisian market, but the French are such individualists that Maitre Millon is already being attacked. Fine furniture dealers are planning a specialist auction room of their own, which will undoubtedly take away some of the gloss from even the new Druot.

Young Blue Eyes

Fay Ainscow profiles Julian Hodgson, the prodigal son of British chess

ONE CAN imagine chess whiz Julian Hodgson waking up in the morning saying: "Hello you lucky world, here I am." "I have a fan club. Lots of chess friends. I'm a star," says the curly-haired, blue-eyed international master playing in today's final of the pre-recorded BIS Group British Speed Chess Championship at noon on Channel 4.

"I felt really good up there. The cameras and audience improved my play. I'm a real showman at heart," says a view confirmed by the Thames TV producers who regard the 24-year-old professional chess player as a natural with star qualities.

Does he feel like a star? "Just in the USSR where chess players are highly respected. I'm sure Kasparov is as well known there as Gorbachev. It's that kind of status that I want."

If this undisciplined player, who seems incapable of serious studying, was a Soviet citizen, he would probably be allocated a trainer to feed him ideas. But under this country's system, because he is about eighth best and not in the top three or four, this has not happened.

He is regarded as one of the world's most talented players, is on the brink of joining England's Olympiad chess team (ranked second in the world), and should



Julian Hodgson at the chess board. The cameras improve his play, he says

soon become a grandmaster, achieving the highest international title. He would like to see chess popularised in this country.

"You need characters. In snooker you know the players, like Steve Davis. Who knows any chess players apart from Nigel Short?"

Determined to catch the public eye and win some money - the top prize in the Speed Championship is £2,000 - he put aside his happy-go-lucky approach and concentrated fully at the match, which is played against the clock. "In a 25-minute game you put everything else out of your mind. I don't usually think in chess games, but I felt this was worth it, so I tried harder."

The "sudden death" knockout tournament brought together Britain's top players for viewer-friendly instant chess. At the cliff-hanging final a six seconds lead decides the championship.

Gary Kasparov came to watch, starting the game off. "It's a great feeling when the world champion starts your clock," says Julian. "I had a chat with him, saying, 'Gary, you remind me of Maradona.' He replied, 'Well, I can run 100 metres in 11 or 12 seconds.' But Kasparov's presence also inhibited Julian. "I kept wondering what moves he would have played."

A schoolboy chess champion, Julian started playing seriously when he was eight, representing England at 11. The oldest of five children from a warm, bustling family, he was educated at St Paul's in London, as were fellow competitors William Watson and Jon Speelman. When his parents

could no longer afford the fees the school provided a substantial scholarship, with the remainder covered by Julian's chess winnings.

Was he such a good scholar? "Not at all," says his mother, Johanna. "He was very lazy. Still is. They were keen to keep him because of his chess ability."

"Always close to his family," worries about his two youngest brothers of 11 and 13, remembering the things he used to do. "He nearly set fire to Holland Park," says Johanna. "They had to get the fire engines out. A friend of his was a bit of a pyromaniac. And Julian was with him. It terrified him so much he's never forgotten it."

After failing his first year exams at Leicester University he began to play chess professionally, apart from a six-month stint in the City which left him with five suits and an aversion to rush-hour travel.

"After an hour on the tube I felt as if I'd done a day's work. I'd come in sweating. It was disgusting. Then another hour going. No, it wasn't for me," says Julian. "So I've gone the other way, wearing track-suits, partly because I've put on so much weight that I can't get into any of my clothes. It's beer-drinking. It expands the gut."

The most charismatic of Britain's strongest chess players, he may well refresh those parts of a television audience that other players cannot reach. Will his participation in the Speed Championship throw up women admirers? "After this quick play they'll be flocking," he laughs. Chess columnar, page VII.



The Asbach Story

It could easily be argued that Ruedesheim is the gateway to that most beautiful part of the River Rhine with its vineyards and castles.

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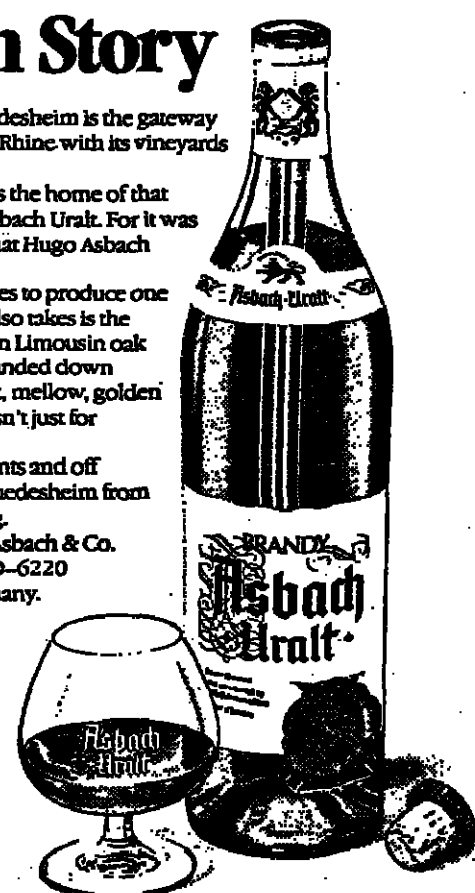
It takes five litres of the finest wines to produce one single bottle of Asbach Uralt. What it also takes is the family skill in distilling, the maturing in Limousin oak barrels; and of course the blending, handed down through generations, to create this soft, mellow, golden brandy. The after dinner brandy that isn't just for after dinner.

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DIVERSIONS

Party ideas to set every glamourpuss purring

Night-time knockout

THE GOOD NEWS is that I can hardly remember a time when the shops were quite so full of seductive evening wear. After several rather dull and understated years on the glamour dressing front the shops are rustling with silks and satins, glowing with soft velvets and frills and lace are everywhere.

The bad news is - how did you guess? - the prices. If you haven't been shopping for glad rags for quite a while grab a drink, take a deep breath and sit down. If you were to go into some of the big-name designer shops you could easily spend \$2,000 or \$3,000 without even trying. A friend who wandered into a Bond Street designer emporium found exactly what she wanted and was about to say "it's perfect" when she remembered to ask the price. Six thousand pounds she said as coolly as if that were an every day kind of cheque to write. Even for the less starry names it is very easy to come away with little change out of a thousand pounds.

If you're hoping to look glam this Christmas and haven't that kind of money (and even if you had, are much too sensible to think of spending it in that kind of way) my first piece of advice is to keep away from those expensive, beautiful temptations in your way. There are plenty of good classy names where you can come away dressed pretty stunningly for something like \$200.

A good place to start would be Jaeger. This winter it offers some of the most sheerly desirable evening clothes I've seen in a long, long time and, though it takes the breath away to call prices of between \$500 and \$300 reasonable, in today's terms that is what they are. If you live in or near London go along to its elegantly revamped flagship store in Regent Street and browse among the silks and satins, the taffetas and tulle, the velvets and brocades. Choose from black, black and more black or go for burnished gold, dark material, a gleaming crimson and emerald.

Caroline Charles is a designer name to look out for where you can buy lots of class for your money. Go along to her own shop at 11 Beaufort Place, London SW3, or any of her other stockists and you will find sophisticated, glamour and the kind of clothes that will go on looking good for many a party to come.

Those who are liable to be partying in houses where the central heating is less than certain could hardly do better than go for her irresistibly sexy, black velvet dress, given a seductive air by its close fitting bodice and sleeves and its tiny, carved jet buttons. It may not cost 100 per cent of the winter of '87 but on the other hand nor will it do so in 1989. It's the kind of classic flatterer that almost every wardrobe could do with and at \$390 seems a true investment. Chilly mortals who prefer something more revealing for indoors and want a flattering cover-up for rushing from house to car could go for one of her equally classic black velvet coats. They are already beginning to ponder on the problem of what on earth to give his nearest and dearest for Christmas might like to give serious attention to the velvet coat. Cheaper and more socially acceptable than fur, it is just as flattering and very nearly as warm.

Besides Caroline Charles, Selfridges evening wear department has a good selection of hats and a good designer evening wear. It's a good department to visit to get your eye in and take in a wide range of good labels. Roland Klein, Frank Usher, Jaeger Courant and Jaeger Wainwright are just some of the names on offer.

One of the best buys of all



David Fielden is a name that many a fashionable party-goer looks out for. For this winter he has plenty of short, sexy and eminently flattering numbers on offer. He likes a long, lean hip-length fitted top from which frills or lace or plenty of frills emerge seductively forth. He isn't cheap - his prices range from \$400 to about \$1,600 but this particular red silk taffeta dress, photographed above, is to order from \$550, from his own shop at 137 Kings Road, London SW3.

Worn with it is a Fest Short, sharp and chic (if a little chilly, as it is sleeveless) it is made from black acetate taffeta and sells for \$195.

Now to "the look". Sassy is the word for this year's party frocks. Glamour and frivolity is what this year's evening dressing is chiefly about. For those with the youth and the legs it should be short and sexy, showing as much leg and as much creamy shoulder as central heating or a tough boarding school upbringing allows.

Before embarking on the short and sexy look I would recommend a rigorous session with a full-length mirror. Good legs and a swishy figure are all - if you have lost all their original firmness and attack.

There are lots of alternative styles around - they may not

London WI. New designers to the house John Anderson and Roger. Both have produced two collections in time for the winter season - one costume (which, in spite of its overtones of old-style exclusivity, is currently flourishing) and one boutique.

Sketched left is MAGIC (what you get with haute couture is a NAME with your dress), made of an exclusive, shimmering French black lace. It is to order for \$1,950 - an altogether grown-up, very sophisticated evening look.

From the boutique comes this short sleek number - a gold and black silk taffeta ribbon with black silk taffeta frills. \$275 (alternations, if necessary, are done by the costume work-room).

look quite so *derrière* as this year but I guarantee they will also probably look much less passé next season. There are lots of seductively draped jersey tops, plenty of sumptuous velvet that isn't necessarily cut short and cute. Add masses of jewelry (and though real will do, costume is often much more effective), remember that, above all, this is not the year to be discreet and understated, and have a good time.

THERE WAS a time when much of the best cognac carried a vintage label, and in the view of brandy amateurs here the finest of all was shipped at length to Britain. For two centuries Britain was Cognac's biggest customer - until the US took over in 1979/80 - and is still deemed in the Charente the most discriminating.

Once here the non-topped casks lay in damp, bonded cellars for 20 years or more before being bottled: at natural strength if by then down to 70 proof (40% by volume of alcohol), or with carefully spaced additions of distilled water to avoid clouding the spirit. They were pale, elegant, deliciously light-tasting brandies that had lost all their original fierceness and attack.

It was the paleness of these early brandies that led to the neck-label initials V.S.O.P. (standing, be it noted, in English, not French, for Very Special Old Pale). Maybe cognacs so labelled once were pale, but today they are unlikely to be either pale or old, since the minimum age for such a cognac is only a little over four years. Indeed if a bottle of cognac was thought to be pale, many would believe it below strength.

Hennessy and Martell, the largest Cognac houses, gave up shipping such young cognac in bulk at the beginning of the First World War, and in the inter-war years it became increasingly uneconomic to keep immature cognac for so long.

Nevertheless, this business continued on a diminished scale until the Second World War. The best customers, apart from a few traditional wine merchants were, surprisingly enough, the railway companies and the brewers.

As marketed, however, cognac is a blended spirit, produced from one or more of the six delimited areas in the Charente and distilled from several, speed-out vintages of the thin



If you want a lot of glamour for your money take a look at what Jaeger has produced this season. There's something for almost everybody but the look overall is fun but grown-up. There are lots of shorter-length dresses, which on the whole seem to have a more durable life-span than long. Photographed right is an elegant treatment of the puffball line. In black and bronze, the longline top is velvet, the skirt, silk taffeta. \$220 from selected Jaeger branches.

Lucia van der Post



IF GRAND-STYLE entrances and a certain exclusivity are what you're after then Ian and Marcel could be the men for you. They are a double-act - two designers who specialise in creating hand-painted silk garments with a strange and elusive allure. They are Canadians who came to London about 10 years ago and who started by selling hand-painted silk scarves and cushions. They now have a list of private clients that sounds like a roll-call of stars of stage and screen.

They use only the best quality silks and silk velvets, sourcing Italy, France and England for the finest of the fine. They have become experts at pleasing silk

in a rather Fortuny-like way but they use the material to produce garments of a rather more flattering nature. Fortuny dresses were beautiful but they did nothing for those who were not already svelts.

Ian and Marcel, by contrast, produce garments that are ideal for the less than sylph-like. They also provide glamorous warmth for all those endless events where the heating is not to be relied upon.

The silks are hand-painted with aniline dyes that are completely washable and dry cleanable. As garments are only made to order customers can specify colours and designs. They are the perfect travelling

garments. Made of silk so fine, so lightweight that they can be twisted, folded inwards and then packed into the tiny bag that Ian and Marcel provide with each dress, they emerge ready-to-wear.

These are couture garments, each one made-to-order and to measure so they are not cheap. Prices run from \$2,000 and \$3,000 but Ian and Marcel claim that they will one day be collectors' items.

Sketched here are three outfits from the current collection. Anybody interested in the Ian and Marcel style should visit their showroom (by appointment only). Tel 01-499-7147 at 49a South Street, London, W1.

Bacon fights back



GOOD days begin with bacon. Waking to the smell of bacon cooking - fragrant shavings of bacon in John Buchan's phrase - is the Englishman's birthright. Breakfast without it is the light, the continental, the international, the too-delicate-to-face-it.

Even if there is an egg, it is not the real thing without bacon, and there is hardly a refrigerator in England that does not have its few rashers standing by. But only Anglo-Saxons, here and in America, regard bacon as an important matter for breakfast.

The bacon we eat nowadays is often not a British thing at all. The major contribution of the Danes to western civilisation is a continuing supply of consistently high-class bacon. Most British consumers seem to be willing to pay the small premium that Danish bacon commands in the market place. But its great virtue is the Danish virtue of consistency - the first love of the grocer, which has become the love of the consumer as well, as we all take our standards from our grocer in these matters.

British bacon is apparently fighting back. It varies a lot in cooking, say to enrich a quail, you will generally do better to pick up a piece of Boeuf or Pancetta at the delicatessen rather than open a packet of rashers. It will have been designed for just such a use rather than for a breakfast dish.

I should be glad to hear from any adventurous reader who has slashed himself or herself a couple of slices of East European smoked bacon which is sold freshly sliced across the counter and pre-packed bacon, which is always a bit damp.

Did you know that Wiltshire bacon doesn't necessarily come from Wiltshire, but is a particular kind of cure? Did you know that "Canadian" bacon has nothing to do with Canada but is what Americans call back bacon, the kind that is cut from the long loin of the beast over the backbone and which has a wide fillet or nut of lean meat and a long strip of fat round it. To Americans, ordinary bacon is what we call streaky, which comes from the side and belly of the animal, with alternating layers of lean and fat. Streaky bacon if properly cured, cut thin and cooked on a grill produces the crisp and crumbly result that Americans consider the real thing.

Sainsbury's tell me that

streaky is losing out a bit nowadays because fat-fearers are worried about it: but Americans are the great fat-fearers of the western world and they love streaky, with all the fat grilled out of it of course. A couple of thin streaky rashers pushed under the grill with a halved tomato is not only good eating for anyone who can face a proper breakfast but a genuinely trouble-free convenience food as well. A spoonful or two of fat will have fallen into the grill-pan. Tip it into a little dish or cup and save it for frying eggs. Eat the rest and go off to work leaving the minimum of washing up.

All over Europe, bacon in some form is a basic and time-honoured food. Despite all that rumoury about the rous beef of old England, salted and smoked pork is what has kept Europeans going through the last few thousand winters.

In Britain of course we have got out of the habit of living with great lumps of it: but this is how it is normally sold nowadays in France, Italy, Germany and points east. If you use bacon in cooking, say to enrich a quail, you will generally do better to pick up a piece of Boeuf or Pancetta at the delicatessen rather than open a packet of rashers. It will have been designed for just such a use rather than for a breakfast dish.

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Sainsbury's tell me that

Peter Fort

Very Special New Pales



Wine

local white wine. Evaporation, locally called "the angels share" (do they drink and fly?) means a loss of 2 per cent a year, and to prevent oxidation the casks are regularly topped up. Initially with the same vintage, but before the final blend prior to bottling a proportion of older vintages will be included. To ensure that a cask contained only a single vintage was difficult, and to have this monitored by the authorities almost impossible. (How many of those USIs that fetch surprisingly high prices in the auction rooms are authentic?) So about 30 years ago, after several prosecutions, it was forbidden to sell vintage cognac, except for those early-landed casks that Britain bought to a tiny extent. A handful of merchants continued to buy the occasional vintage, mostly from Hine, who specialised in this business, and whose non-early-landed 1823 was the last vintage cognac widely available here. A little also was shipped by Delamain, the small distinguished house in Jarnac, which one might hesitate to call the Krug of cognac only because it might politely suggest that Krug was the Delamain of champagne.

One English merchant bought two hogheads of Hine 1961, and when it was bottled 25 years later both casks were only half full and were combined before bottling. Although it had to be broken down a little with distilled water, it is a fine, rather elegant cognac, which some might dismiss as lacking in body, though not in strength, and a victim of the mild English. A few merchants have continued this trade, and in association with Hine, a firm here was formed to promote this: the Bristol Brandy Co, Redland House, Redland Rd, Bristol BS6 6YE. They chiefly supply the trade, but will entertain private customers, and keep their cogs for them. A cask costs between \$2,500 and \$3,500,

charge of about \$250 a year. Adams of Southwold also lists six vintages of mature early-landed Hine Grande Champagne. However, after a discussion that began nearly a year ago, representatives of both growers and merchants in Cognac have agreed once more to sell vintage cognac, and when officially authorised it will probably start with the 1987 vintage. This change has been stimulated by the growing irritation of the Charentais with the Armagnacs who over the past 20 years have been labelling much of their brandy with a vintage date. Ignoring the possibility that some of the distillers in the Gers

have got their dates wrong, and the certainty that in spite of this infinitely more cognac is sold than Armagnac, the Charentais now realise the reclaim that labelling the date of the vintage on a bottle carries.

This new vintage will not, however, resemble the early-landed type, for it will be held in separate, accurately-jacketed casks, and will not be bottled and sold until 15 years old: in 2002 for the 1987. If distilled water has to be added to bring down the strength to 40 per cent - the minimum for cognac - it will be done under official supervision.

There are mixed views in Cognac about this new move. Some believe that the consumer will be confused, since a vintage applied to a wine implies annual variations, which blended cognac seeks to avoid. Although the new vintage brandy may still be a blend derived from various properties and districts, in view of the capital lock-up, it is likely to be restricted to the top district of Grande Champagne, but from one year's distillation only. The majority view is that consumers will be attracted, probably especially in the Far East, where there is an enormous demand for cognacs of VSOP quality and upwards.

Edmund Penning-Rowse

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BOOKS

Anthony Curtis on a notable
publishing centenary

Yellow Book to Greene

THE BODLEY HEAD 1887-1987
by J.W. Lambert. The Bodley Head, £20.00, 364 pages.
PRINCE OF PUBLISHERS: A BIOGRAPHY OF THE GREAT VICTORIAN PUBLISHER GEORGE SMITH
by Jennifer Glyn. W.H. Allen/Allison & Busby, £14.95, 231 pages

PUBLISHING HISTORY abounds in ironies. This year, which marks the centenary of the distinguished English publishing house, The Bodley Head, saw its takeover in May by the American company Random House. No less ironical was the departure of Max Reinhardt, head of The Bodley Head since 1966, with the announcement that its most celebrated modern author, Graham Greene, will not be publishing his new novel under the imprint.

Another (and to my mind crueler) irony is that J.W. Lambert, the author of this history, who took up the task, involving a prodigious amount of research in the company's archives, on his retirement from the Sunday Times, did not live to complete it. He was only three quarters of the way through when he died suddenly last year, but he left behind sufficient notes for Michael Ratcliffe to finish the story to the present.

Lambert set a high standard both in the writing and the amount of information he packed painstakingly into each paragraph. He had perfected the technique during his long years as a literary journalist, there is no falling off here. Lambert shows an awesome capacity for not becoming bored by the works and careers of authors who once graced the Bodley Head list.

Who now reads Richard Le

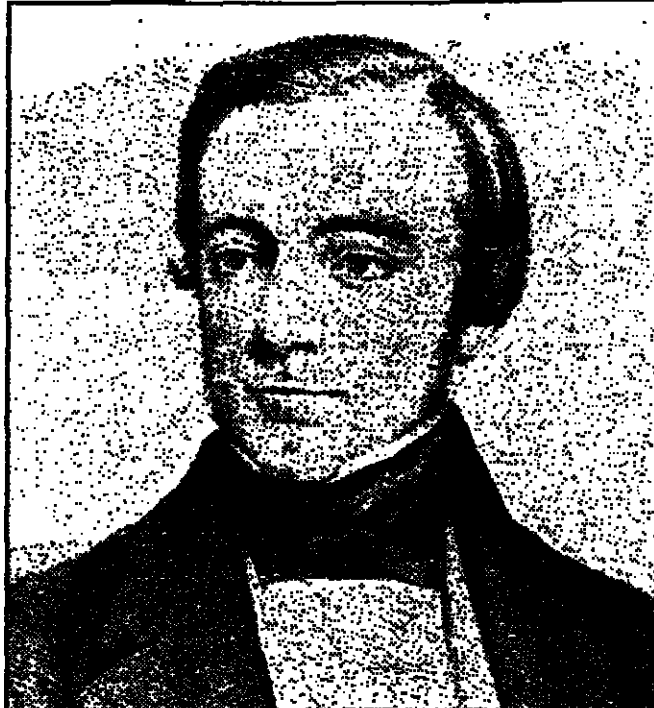
Gallienne or W.J. Locke? Well, Lambert did, evidently at some length. Both return to life in his pages, with several hundred others who have slipped irretrievably from our collective consciousness, but who were once of some importance to the company either as authors or members of staff or - in the case of Le Gallienne - both. Lambert's pen-portrait of this golden boy of the aesthetic movement (caricatured as the poet Grosvenor in Patience) who became first Literary Adviser to the firm, is a masterly blend of the personal and the professional.

to be first the tyrant, then the adored cynosure, of his mother and a bevy of sisters, and to develop very early a consuming passion for anything in print, or in skirts, or in a glass.

Le Gallienne comes into the story early on, when a farmer's son John Lane, and a fastidious prodigy, Elton Mathews, join forces to start up a bookshop in Vigo Street, near Albany in Piccadilly. Lane was Devonshire-born and Mathews had been selling rare books in Exeter; the partners therefore found an emblem in a great Devonian and Oxonian bookman, Sir Thomas Bodley.

Bookselling soon merged into both in the writing and the amount of information he packed painstakingly into each paragraph. He had perfected the technique during his long years as a literary journalist, there is no falling off here. Lambert shows an awesome capacity for not becoming bored by the works and careers of authors who once graced the Bodley Head list.

Who now reads Richard Le



George Smith who published the Brontës

high quality newspaper The Pall Mall Gazette, Lane was a willing angel, supporting on his broad wings several magazines where his authors could publish their poems and stories, in the first instance.

The most famous of these was The Yellow Book which started just at the time when he was breaking with Mathews. They had already published some early works of Oscar Wilde with whom they had quarrelled and Wilde was not invited to contribute. Oscar paid them back by naming the two manuscripts The Importance of the Yellow Book and Mathews.

Somehow because of the striking Beardsley cover and the nature of much of the contents, such as articles by the young Max Beerbohm on masks, the new avant garde compilation came to be identified with Oscar's cult of art even though it included early feminist writing and social realism. The identification was completed when Wilde on his arrest was observed carrying a yellow-jacketed book in reality a French novel. Soon books were being buried at the Vigo Street shop by the self-appointed custodians of public morals.

Lane survived that and other disasters. He was fortunate in his marriage to the rich American Annie Eichberg who proved an asset in many senses not least financial. Eventually he brought in his nephews Allen and John; the latter told the story of how the former started Penguin books during a low ebb of the Bodley Head's fortunes fits into place fascinatingly here as do the periods when it was headed by G.I. Greenwood (with Stanley Unwin in the wings tightly pulling the purse-strings) and the reign of the urbane Max Reinhardt.

Both Lane and Smith were great hosts and much convivial hospitality echoes through these pages. Jennifer Glyn gives an account of the disastrous dinner-party when Smith had Charlotte Brontë down from Yorkshire to meet Thackeray. Her biography draws heavily on Smith's memoirs but these are not easily accessible, and it is good to have this brief readable account of the energetic Victorian publisher and entrepreneur to whom we owe among other enduring things the Dictionary of National Biography which he subsidised on the profits from Apollinaris water.

Those sharp eyes on the spot

THE FABER BOOK OF REPORTAGE
edited by John Carey. Faber and Faber, £14.95, 706 pages

JOHN CAREY, Merton Professor of English Literature at Oxford, has compiled a dangerous book. To many of these journalists who have not fallen into the trap already notions that they are artists rather than craftsmen.

In the Faber Book of Reportage, Professor Carey has assembled 272 eye-witness, or very good second-hand, accounts of momentous occasions spanning more than 2,000 years. He starts with Thucydides' observations on a typhus-like disease that swept Athens in 430 BC and concludes with James Fenton's report on the bizarre goings-on at the Malacanzang Palace just before the fall of the Philippine government of President Marcos in February, 1986.

Naturally enough, the bulk of his collection is taken up with wars, battles, human catastrophes and tragedies, but he allows himself a few diversions, such as W.H. Hudson's account of a Norfolk holiday in 1887 and Mark Twain's on Americans abroad in 1867.

He chose this course so as not to be completely in thrall to the dictate of events. He has thoroughly pillaged newspapers, diaries, histories, soldiers' diaries, autobiographies and travel books, in some cases preferring a well-written memoir long after the event to an account on-the-spot account by the same author of the event itself.

Many of the reports demonstrate how good writing transcends the ages, such as Plato's moving account of the execution by poisoning of Socrates in 399 BC. It makes as good a read today as it was when it was written.

Several contributions, indeed, are those of bona fide artists, such as Paul Gauguin's account of his schooner, the *Teina*, in Tahiti in 1892. Gauguin clearly was enchanted and we have not only his words but his sketches to go with them. He seems to remind us of what he beheld.

But the battleground and its aftermath take up the lion's share of the essays. It is a harrowing account of recent years, it has, somehow, all happened before.

The full horror of death camps borne out in Patrick Gordon-Walker's report of his visit to Belzec on April 24, 1945 where 30,000 lives were saved but 36,000 corpses were roughly accounted for. "To the home," Gordon-Walker broadcast at the time, "this is one camp; there are many more. This is what you are fighting against. This is the plain and simple truth."

Gordon-Walker's experience rivals that of J.E. Neill's from the best of the war, his account of the battle of Marston in 1190 where horses were routinely slaughtered into huge cauldrons to feed starved civilians and where a plague of locusts was regarded as a punishment from heaven with those close to death feeding on them. "Like an omelette," he wrote, "the locusts were being eaten."

Little that Professor Carey does not touch: Tacitus on the burning of Rome, 64 AD; Edward Grim on the murder of Thomas Becket, 1170; Jose de Acosta on Aztec human sacrifices, 1520; Robert Wynkfield on the execution of Mary Queen of Scots, 1586; and, for relief, Garrick playing Hamlet, 1775, by George Christoph Lichtenburg.

If we wonder how the Japanese got their high technology read Commodore Matthew Perry's account of his display of Western firepower - telegraph and farm equipment - to mad locals on a US naval visit to Japan in March, 1854. It is all here.

Unhappily, there is only one sports story - Bob Costello's - and a kind of Joe Louis' destruction of Max Baer. One would like to have read something from Edward R. Murrow, particularly his report on a bombing mission over Germany, The Flight of D-Day; Louis Heren's blood-curdling account for the Times of the execution of the 1945; and a journalist's report of his close brush with death when he and colleagues were ambushed in Saigon at the time of the Tet offensive in January, 1968.

Francis King on the most enigmatic
of 20th century literary ladies

Woman and her roles

KATHERINE MANSFIELD: A SECRET LIFE
by Claire Tomalin. Viking, £14.95, 292 pages

THE TITLE of one of Pirandello's most famous plays *Come tu mi vuoi* (As You Desire Me) would stand well for this lady hard-headed but never hard-hearted biography.

In it, Claire Tomalin eloquently demonstrates that the key to so much that is unworthy or inexplicable in Katherine Mansfield's behaviour lies in her desire to be all things to everyone. It was no doubt this desire which led her to write: "Would you not like to try all sorts of lives? - one is so very small" and which led A.R. Orage, executing a hostile portrait of her in a story in his New Age, to declare that "promiscuity of reflection, taste, judgement, character and intelligence is her distinctive and peculiar quality".

To the women who adored her - many of them, like the slave-like and saint-like Ida Baker, totally unaware of the nature of their adoration - she was someone who could experience intensity of love only with her own sex. To the man, with whom she had affairs she was the free woman who would express a cheerful willingness to take to prostitution if it would save her from poverty.

Because she was always so much the actress - Vera Briskin and Rebecca West used to maintain that she had actually performed at a lesbian night-club, The Cave of the Golden Calf - she was not to be taken too literally. She was a woman who wished people to know her, and the fictions which she told about her past.

Because she was always so much the actress - Vera Briskin and Rebecca West used to maintain that she had actually performed at a lesbian night-club, The Cave of the Golden Calf - she was not to be taken too literally. She was a woman who wished people to know her, and the fictions which she told about her past.

So it was that she behaved so abominably to the fastidious, unworried, gentlemanly singing-teacher George Bowden, whom, pregnant with another man's child, she cast for the role of husband and then abandoned on their wedding-night. So it was that she behaved even more abominably to the well, Charlie Walter, whom she briefly adopted after her miscarriage and then, without a pang, sent back from Germany to his East End slum when he no longer had a part to play in her drama of motherhood.

What is new in this book is chiefly what Tomalin has to say about Mansfield's relationship with the Polish writer Florian Sobienkowski. Tomalin's inference - no proof is possible - is that during the course of a love-affair with the couple in Germany in 1909, Sobienkowski presented Mansfield with "two poisoned gifts".

One of these was an introduction to a Chekhov story, then scarcely known in England, which she plagiarised for her own story *The Child-Who-Was-Tired*. The other was infection with the gonorrhoea which progressively weakened her health and so made her susceptible to the bacillus of tuberculosis (passed on by D.H. Lawrence,

Tomalin surmises). Since, many years later, in 1920, Sobienkowski blackmailed Mansfield - on what grounds there is now no way of knowing - Tomalin strikes me as being altogether more charitable to him than his conduct deserves.

If Tomalin shows too much charity to Sobienkowski, then she shows too little to John Middleton Murry. Sylvia Lynd's remark about "his boiling Katherine's bones to make soup" has a caustic, contemptuous truth in it. But Middleton Murry is not the only spouse to have idealised a dead partner. Such idealisation is perhaps no more reprehensible than to follow the modern practice of revealing a dead partner's every blemish. Murry's ambition was ugly, but so were Mansfield's egotism and the ruthlessness which served it.

Tomalin is admirably judicious in her estimates of both the stories and the woman. Of the first she writes: "Even those who dislike them acknowledge that there is something pungently alive in them." Of the second she says: "If she was never a saint, she was certainly a martyr, and a heroine in her recklessness, her dedication and her courage."

Mansfield's "secret life" is here laid bare with both stringency and sympathy.



George Banks's caricature of Katherine Mansfield

Penalties of success

MARGARET MITCHELL: GONE WITH THE WIND
edited by Richard Harwell. Sidgwick & Jackson, £13.95, 480 pages

"I DIDN'T know an author's life was like this," is the plaintive chorus of these letters written by Margaret Mitchell following the publication of *Gone with the Wind* on July 1, 1936 of her famous novel.

"I'm sure Scarlett O'Hara never suffered harder to get out of Atlanta or suffered more during her siege of Atlanta than I have suffered during the siege that has been on since publication day," she wrote on July 7.

At one time two-party fans had tried to tear her clothing off for souvenirs. On July 23 she reluctantly postponed a trip to New York to "see some shows and call on old friends" until she was off the best-seller list which she hoped would be by Christmas. She was a prisoner in her own home.

Between the phenomenal success of the book - \$15,241.96 in the first 11 months - and the furore surrounding the casting of the film, it took nothing less than America's entry into world war two to take the pressure off Margaret Mitchell and enable her to lead a normal life again.

GWTF, as it is referred to in the letters, has sold over 26 million copies worldwide. It is difficult

even in these days of mega-hype to imagine an author reacting to an invasion of privacy on this scale with the exquisite courtesy and patience shown by this one.

All reviewers - many of whom compared her book to War and Peace and Vanity Fair - received long thank-you letters. Accusations of historical inaccuracies were refuted line by line with detailed references to learned works on the Civil War and primary sources.

From very early on Mitchell decided not to autograph any copies as that task alone was threatening to occupy her whole day. But every time a charity or a distinguished admirer made a polite request for an autograph, a detailed and individually written apologetic letter was sent off.

The age of the word-processor will never produce a volume of letters like these.

The first three years, until the film was released, were the worst. But even though frequently "harrassed" Margaret Mitchell was a lively and generous correspondent to her close friends. She reveals herself as an exceptionally nice person - kind and considerate - with impeccable old-fashioned manners. She was known as a good conversationalist, and in the more relaxed letters she displays a mastery of the humorous anecdote.

Others show how much her knowledge of the Civil War came from her own family's obsessive interest in "re-fighting the battles" aim from time and again.

Alannah Hopkin

had tracked down and interviewed her in youth.

The males in the family were lawyers, and the law is evident in her mind's eye in her dealings with the David O. Slesnick Organisation, and Hollywood. Having sold the film rights (for an undisclosed sum) she refused to have anything further to do with the project publicly, for fear that the people of Atlanta would blame her for inaccuracies.

One of her most cutting letters - a masterpiece of acid politeness - accuses Slesnick of allowing his publicity machine to distort her off-the-record comments for promotional reasons, and threatens that, if this "co-operation" with the film project and publicly condemn it. For in spite of her alleged neutrality, she had exerted enormous influence on the production in order to ensure the greatest possible degree of authenticity in such matters as accents, architecture and costumes.

"The Atlanta midget," as one reporter dubbed her (she was barely five feet tall) managed, in an exercise of astounding diplomacy to quash most of the gossip excesses and anachronisms proposed for the movie without ever giving up her public stand of neutrality. Her reward was the film's rapturous reception by the people of Atlanta, the only people whose opinion she really cared about.

Alannah Hopkin

Legal ways to power

THE KING OF THE BARRISTERS: A SOCIAL HISTORY OF THE ENGLISH BAR 1890-1940
by W.R. Prest. Oxford, £35.00, 442 pages

IT IS probable that, of all the professions, that of the lawyer is most of a closed book to the layman. Mr Prest does his best to open it, in a solid and reliable academic way, during the period in the late 18th and 17th centuries when the profession came to the fore as such, established its recognizable shape and organization - a kind of golden age. Even a layman recognizes such luminaries as Bacon, Attorney General Coke, and Lord Chancellor Ellesmere.

During this time, from the Elizabethan age to the Civil War there was "a massive expansion of litigation," we learn "when the business of the two major central courts appears to have more than trebled." Well over 2,000 barristers were called between 1550 and 1640, as someone said succinctly "litigation breeds law-

yers, and lawyers breed litigation." The curious fact emerges that the number proportionately to the population was close to that in England today. We may take that as witness to the stable utility, indeed the necessity, of the profession in society. And of course it reflects the character of the society. Why this remarkable expansion then? The short answer is the expansion of society, increasing population and complexity, with the success story of the Elizabethan era.

Religion too. Mr Prest corroborates the traditional view of the dominantly Puritan and Parliamentary colouring of the bar, with such a significant figure as Sir Edward Coke. Or there is the pure Puritan, Velverton, who paid James I. \$4,000 for the Attorney Generalship. Before that he had offered Robert Cecil \$1000 "thankfully, secretly and willingly," for a job which he did not get.

We learn a great deal more about the successful but horrid lawyer Sheffield who broke the

stained glass window in St Thomas's, Salisbury, and got his compensation from Archbishop Laud, quite rightly.

Those of us who go about the old country with our eyes open can still see evidences of the families whose fortunes were made by the law. Take Norfolk; at the time people said "Norfolk was many a man's beguile." We have those palaces of Holkham and Blickling to show: Holkham founded on Coke's fortune - altogether he collected some 50 manors - and Blickling on Lord Chief Justice Hobart's.

Lovely Kingston Lacey in Dorset goes back to Chief Justice Bankes, who had bought Corfe Castle, ruined in the destructive Civil War. Or think of the vast estates (and archives) accumulated by Lord Chancellor Ellesmere. Several Devon and Staffordshire families notably owe their rise to success at law in this period.

Success was not solely due to legal acumen; lawyers were at an advantage in property transactions.

A.L. Rowse

Fiction

Hotel in Las Vegas

THE PALACE
by Paul Erdman. Andre Deutsch, £10.95, 308 pages.
ARE YOU LISTENING RABBI LOW
by J.P. Donleavy. Viking, £11.95, 406 pages.
LAST CALL
by Harry Mulisch, translated by Adrienne Dixon. Collins Harvill, £10.95, 288 pages.
THE HANDS OF CHERYL BOYD
by Maurice Leitch. Hutchinson, £10.95, 144 pages.
CHINESE WHISPERS
by Maurice Leitch. Hutchinson, £7.95, 71 pages.

TAKE TWO gorgeous black hookers and a bubble bath. Install these in an anonymous suite of a luxurious Las Vegas hotel. The Palace. Add small, fat, Danny Lehman, a balding one-time coin dealer who has risen from humble beginnings to become the owner of the hotel, the casino below it and a great many other things besides. What you have is the formula for a blockbuster novel, of the kind Paul Erdman does so well.

Danny is from Philadelphia. He is a wide boy who starts out laundering large amounts of small change for an anonymous customer, no questions asked, via a bank in the Cayman Islands. The money is being skimmed from the Palace casino, unknown to owners and internal Revenue alike. Gradually Danny is sucked into the business until he decides to take it over himself. His first task is to deal with them, his second to put an end to the skimming.

He turns the Palace into a showcase for an ambitious, then looks eastward, to the casinos of Atlantic City. To find out how they do things in Europe, he takes one of the black hookers

with him and sets off on a tour of London (Crockford's, Les Ambassadeurs), Baden Baden (the Kurhaus), and Beirut (the Casino de Liban), pursued by a vengeful hook who ends up being garrotted in the front seat of a car for his pains. From there it is a swift trip back to America and a classic boardroom battle, and Danny is on top of the game. *The Hands of Cheryl Boyd* at pre-1987 prices.

All of which is pure hokum of course - gorgeous black ladies hardly ever happen to small, fat businessmen, particularly now that their stock options are worth nothing - but hokum of a high order. The author is in the dream business and knows his market. He is good on the Nevada banking rules, best of all on the ins-and-outs of roulette and chemin de fer.

Sigmund Schultz, hero of J.P. Donleavy's *Are You Listening Rabbi Low* is a high-roller too, as fans of his previous outing will no doubt recall. He is in London here, living in some style with butlers, limousines et al, but he is a foray into the business in partnership with Lord Nectarine and the egregious Binky Sunningdale.

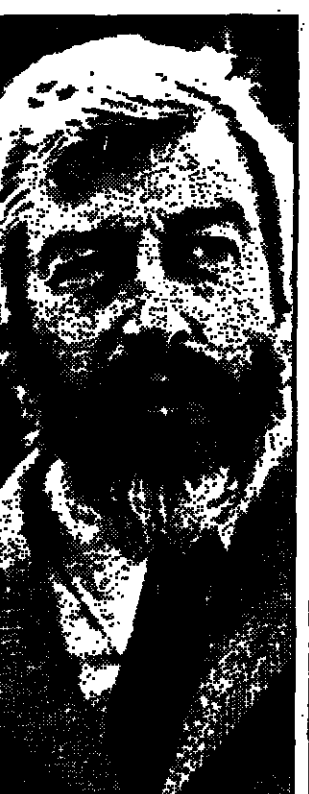
His wife is after him for a particularly messy divorce - she throws herself off Tower Bridge to prove it - and plenty of other women are after him too, though for different reasons. It's the mixture as before, in fact, Schultz behaving as a gentleman as ever, in direct line of descent from Balzac and the Ginger Man. He has trouble with his zipper, releases a flock of trunks in a foray into the bedroom, and escapes from the press disguised as an Arab woman in purdah. He is rude, bad-tempered and foul-mouthed, always on the edge, and though unappealing character in the best, or worst, Donleavy tradition.

The author in fact has been taking a lot of sick for Schultz over the last couple of weeks, but it is difficult to see why. The charge against him is that the book is way over the top, full of being garrotted in the front seat of a car for his pains. From there it is a swift trip back to America and a classic boardroom battle, and Danny is on top of the game. *The Hands of Cheryl Boyd* at pre-1987 prices.

The same might also be said of Uli Bouwmeester, the 78-year-old hero of Harry Mulisch's *Last Call*. He is an actor, called out of retirement to take the lead in a fringe theatre production in Amsterdam. His retirement has been a long one, because he collaborated with the Nazis in the war and was not worked over by the other actors accord him the deference due to age, particularly since his family have been famous in Dutch theatre for more than 100 years.

The production is important to the theatre, as a means of qualifying for a vital subsidy. The company's travails, and Uli's, are recorded by a Jewish interviewer in a television documentary. Uli himself enjoys an Indian summer as a café regular with the other actors, and even takes a fancy to one of the actresses. It's a cheerful celebration of theatre, but in all, seen from a Dutch perspective, and with an appropriately dramatic ending.

There's the theatre of a sort too in one of the short stories of Maurice Leitch's *Chinese Whispers*. Leitch's entertaining, Uli himself enjoys an Indian summer as a café regular with the other actors, and even takes a fancy to one of the actresses. It's a cheerful celebration of theatre, but in all, seen from a Dutch perspective, and with an appropriately dramatic ending.



J.P. Donleavy: scurrilous mirth

erly done, with an economy of Leitch's trademarks. His novella *Chinese Whispers*, admirably illustrated by Sam Hunter, is set in a Northern Irish mental hospital, with an agreeable group of inmates playing the whist game under the supervision of their minder, Kenny. Into this cuckoo's nest comes Gavin, an upstart sort of chap, who is famous for having stabbed a girl to death.

Gavin dominates the working-class Kenny and turns the other inmates against him - until, that is, they all go into the woods for a splendid little outing of which Evelyn Waugh's *Mr Loveday* would undoubtedly have approved.

Nicholas Best

Stricken man of courage speaks out

THE BODY SILENT
by Robert F. Murphy. Phoenix House/L.M. Dent, £10.95, 158 pages

FIFTEEN YEARS ago Robert Murphy, a New York's Columbia University, noticed a peculiar and persistent muscle spasm in his arm. A shot of Novocain, injected into the spine, quelled the symptom for a day or two, but when the drug wore off the spasm returned. Worse, it was soon joined by another spasm in the abdomen.

Tests eventually revealed an extended spinal tumour, and there was not a lot that could be

done about it. By 1978 Murphy had lost the use of his lower limbs and was confined to a wheelchair. By 1986 he had become a full quadriplegic. The only parts that still functioned were the jaw and that part of the brain we call the mind.

Out of this appalling misfortune, and with the aid of a word-processor, Murphy has summoned a book of great power and exceptional scope. *The Body Silent* tells, as it must tell, of Murphy's own ordeal: the slow descent into paralysis, the effects of this on his self-esteem, his behaviour, his career, his colleagues and on his family. But it also confronts disability as a thing in itself, and as a legitimate pretext for the continuation of Murphy's social anthropology.

Murphy's wheelchair, a vast impediment, becomes a centre for further fieldwork. His life changes dramatically, obscenely, but his purpose remains consistent with what went before: to relate to the general public, and to disabled people every-

where, the social circumstances of the physically impaired and the meaning of this condition as an allegory to all life in society.

Quadriplegia, Murphy tells us, is "a disease of social relations no less than the paralysis of the body". The traumatic transformation of his identity begins at the hospital, a largely bureaucratic institution where "patients with a permanent sick, Murphy's conclusion however is weighted differently. "As with all other social roles," he writes, "what he urges is greater solidarity among the disabled, so that they too can achieve autonomy. Given that medical science is likely to increase rather than decrease the percentage numbers of the disabled living in our midst, this strategy probably is more appropriate than would be, say, retreat to a Buddhist monastery."

The real felon of course is American culture, which is also, in great measure, everybody else's culture. The absurd annihilation of the body beautiful and such heroic archetypes as

Superman and Rambo combine to outlaw the long-term sick. The good American is the autonomous American.

In the best dissenting tradition of liberal studies Murphy assembles a devastating portrait of a pathologically uncaring society. Drawing widely on anthropological and sociological sources the result is a kind of Zen And The Art of Motorcycle Maintenance for the permanently sick. Murphy's conclusion however is weighted differently. "As with all other social roles," he writes, "what he urges is greater solidarity among the disabled, so that they too can achieve autonomy. Given that medical science is likely to increase rather than decrease the percentage numbers of the disabled living in our midst, this strategy probably is more appropriate than would be, say, retreat to a Buddhist monastery."

Justin Wintle

Frank Gray

ARTS

As the RSC ends a triumphant season at Stratford, Michael Coveney reports

Cymbeline exposes buried treasures

Whatever the bad news of attendance figures at the Royal Shakespeare Company's London base - a slump of 44.8 per cent. in Barbican ticket sales for 1986/7 and an accumulated deficit of over one million pounds - the quality of work in Stratford-upon-Avon is indisputable.

Last weekend I reported enthusiastically on the RSC's Nat West tour. It showed a company in restless, creative mood, with an eye on the future and a finger on the pulse. My optimism has been compounded this week in Stratford, where *Cymbeline* opened in The Other Place on Thursday night and brought the 1987 Avonside season, one of the best in some years, to a triumphant conclusion.

Even the RSC shies away from this play, rarely taking it on the large stage. Bill Alexander's response is to press the intimacy of the play to narrative service. The play is given over to an audience that remained, I swear, literally spellbound for three and a half hours. It begins in a fury of rage and splinter as Cymbeline's wife, Imogen, bids his daughter Imogen's love for Posthumus, and the preferred sutor, Cloten, her half-brother, explodes in derring-do.

Sanctimonious and bad odour emanate from Cymbeline's wicked Queen, played by Julie Legrand as a fairytale baddie with a box of poisons and conical piled-up hair. Imogen's false report of Imogen's inconstancy is issued with a silky pestilential vigour by Donald Sumpter, whose controlled nastiness prospers in the close conditions.

In banishment, Harriet Walter's expressive heroine meets valour and hospitality among the

cavemen of Milford Haven. I am only surprised she did not also discover the RSC on tour there. More people say they are going to Milford in this play than ever set out for Widdowcombe Fair.

Cymbeline is a primal, experimental great play with elements of tragedy, romance and historical legend. The Queen has let slip the national levy to Rome (Cymbeline's uncle was charged with the debt by Julius Caesar himself). A nation's identity in colonialism is examined in the theatrical defiance of Cloten, an anti-master of the day.

"Britain is a world in itself. We will nothing pay for wearing our own noses" - and in the sense of isolationism under an almost welcome European threat.

It is a play, too, of obsequies and ritual, from the masque-like theophany of Jupiter's address to the sleeping, captive Posthumus, to the dazzling poetry of burial and farewell ("Fear no more the heat of the sun"). Knowledge is given only to those properly awake, and the tumultuous revelations of the last act, which must have encouraged Ben Jonson in his own construction, are both hilarious and touching. They are really to do with the acquisition of awareness and humility through experience.

I scrape the surface in this manner in order to imply more buried riches. Mr Alexander places the audience in a semi-circular expectation of hearing a wonderful story. The actors work through the building, now sitting on spare seats among us, now chanting the marches or anthems of Iona Sekacz's baritone, plucking the insides of pianos, rattling thunder sheets, grazing tabular bells.

Intimacy proves not inimical to major performances. Nicholas Farrell has progressed this season from a shaky Mark Antony through the insatiable Lussurioso to an impassioned, athletic Posthumus. David Bradley is a delightfully acquiescent King after his early brainstorm, a comic Lear almost, and Bruce Alexander tops his Tranio with a scintillating, ludicrously hubristic stand-up Cloten.

Next year, Adrian Noble will be in charge of the Stratford season. The experiment of inviting outside directors - Jonathan Miller and Nicholas Hytner - has been a success and is good for the company. John Caird's Ben Jonson adventure must be resumed - are we to have *Sejanus* or *Epicoene* or another totally glorious surprise like *The New Inn*?

And I hope talent from the tour will be fed back into the Stratford troupe - director Roger Michell, bolstering actresses (much needed) like Maggie Steed and Tessa Peaske-Jones.

Stratford 1987 will also be remembered for the midlife weight acting contest between the Celtic bruiser, Brian Cox, and the Cape Town killer, Anthony Sher, the first for his studies of monumental emotion (especially Titus), the second for a trio of brilliant alien transformations (Shylock, Malvolio and Vindice).

This has been a splendid Stratford year, and this fine November climax has seen the unexpected restoration of two great plays - *Cymbeline* and *The New Inn* - and an intelligently absorbed revival of *Measure for Measure*, the RSC's favourite 20th century Shakespearean text.



Harriet Walter and Nicholas Farrell

Spoken Word

Traditional tales

"It was the best of times, it was the worst of times." A Dickens story for winter listening is traditional, and Cover to Cover Cassettes' unabridged *Tale of Two Cities* (CC037) tops the list this year. On 11 cassettes, listening time 144 hours, Richard Peto's glorious reading warms the heart.

From full-length to abridged: among the new issues in their usual 2-cassette sets, Listen for Pleasure offer John Mortimer's contemporary saga, *Paradise Postponed* (LFP 7276), elegantly and sympathetically read by Sir Michael Hordern and Clive James reading from his own *Unreliable Memoirs* (LFP 7304) covering the period from infancy to his arrival in England in 1902. This is vintage James, hilariously funny and quite astonishingly rude about what seems to have been a strenuous puberty. From LFP's recent back-list I have also enjoyed two issues, both by Paul Brickell: *Reveries for the Sky* (LFP 7148), the story of Douglas Bader, who lost both legs in an air accident in 1931 but fought his way back to become one of the heroes of the Battle of Britain; and *The Dark Busters* (LFP 7081) about how Barnes Wallis came to invent the revolutionary "bouncing bomb" and how it destroyed the Moine and Eider dams in May 1943. Both are beautifully read by Tony Britton and Richard Todd respectively.

From Argo, also in abridged 2-cassette form, comes H.G. Wells's *History of Mr Polly* (SAY Series 418 159-4) read with affectionate irony and good humour by Peter Jeffrey. Also from Argo there are two vastly entertaining novels from the mid-eighteenth century (abridged on 2 cassettes), both set in the same teeming world of high life and low life - of country houses, inns and precarious travel - but with different points of view. Oliver Goldsmith's gentle and endearing *Vicar of Wakefield*, read by Derek Jacobi (SAY Series 418

174-4) takes the innocent rural view, while Henry Fielding's *Joseph Andrews* (SAY Series 418 162-4) takes the urban view despite a country setting, and is a rollicking parody of Samuel Richardson's *Pamela*. Daniel Maes's reading presents a marvellous gallery of grotesques.

Another new venture is a list of classic novels recorded under the name of Eloquent Reels, each title occupying 4 cassettes and giving over 6 hours of listening. These abridged versions, all with good readers, fill the gap between the full-length stories and the much-abridged 2-cassette sets. Peter Ennals reads *Great Expectations* and *The Hound of the Baskervilles*; Richard Baker reads *Far from the Madding Crowd*, Andrew Sachs reads *Wuthering Heights* and Hilary Chadwick reads *Jane Eyre*.

From Chanticleer comes a single cassette recorded from Rob Inglis's distinguished one-man show, *The Hobbit*, pulling us into the volatile and menacing mythological world created by Prof. J.R.R. Tolkien in his book of the same name published just 50 years ago.

For children, Puffin Books and Cover to Cover Cassettes have just launched an excellent new series of unabridged stories on one or two cassettes, with first-rate readers. It includes *The Complete Adventures of Peter Rabbit* (1 cassette) read by Rosemary Leach (with music specially composed by Carl Davis) which has all four Beatrix Potter stories that Peter appears in: *The Dead Letter Box* by Jan Mark read by Maggie Marshall (1 cassette) for 9-plus, especially girls; for all animal lovers from the age of about 10, there is Nina Warner Hooke's beautifully observed and unsentimental Christmas story of the abandoned *Shropshire Kitten* and its search for a home, read by Edward de Souza (2 cassettes).

Up the *Garden Path*, by Sue Limb, is a kind of ultra-lightweight soap. Izzy is in love with married Michael. Michael is always making dates and excuses, in that order, and Izzy makes arrangements and corrections to suit him, yet never manages a meeting. When I tell you that Izzy's surname is Comyn (pronounced Cummin), you may gauge the depth of the comedy.

B.A. Young

Lulu sings Peter Pan

When the very first critic wrote the very first bad review his barbed words flew round the world until each one was embedded in the heart of a financial backer. Ever since then when a critic says "I don't like it" a backer falls down with dyspepsia.

When J. M. Barrie wrote *Peter Pan*, he dreamt that it would be translated into many tongues, filmed and made into a Disney full-length cartoon. He knew its earnings would help Great Ormond Street Hospital for Sick Children, though surely not as its main source of income, as the souvenir brochure asserts, even in the days of villainous capitalists. He might even have envisaged the Broadway musical for Mary Martin by Carolyn Leigh and Moose Charlap (he twinkled over that name you can be sure) which with additional material by Broadway stalwarts Green, Comden and Styne, was first seen in London in 1955 and is now at the refurbished Art Deco Cambridge Theatre in Seven Dials.

Two years ago Bonnie Langford proved a fine trouper as Peter while Joss Ackland was an outrageously florid Captain Hook. (Every time a serious actor puts up with his eyes camp is born.) The latest production from Plymouth's Theatre Royal boasts Lulu as the eternal pre-pubescent. Glasgow's greatest gift to music since d'Almeida lacks the vitality of her predecessor; her singing voice is thickened and muffled by a sound system that booms out even the spoken dialogue. Eubullism belted-out numbers like "I won't grow up" need more than the mechanical, minimal expression they receive here. A noisy bustle ensues. George Cole's Darling/Hook double is amiable - the musical, as opposed to the original play, demands little more. Again, one misses the stunner splendor that Hook's songs (tango, tarantella and waltz respectively) can exude when sung with proper pride and zest.

John Newman's production falls flat between sophisticated West End musical and children's Christmas show. The many very young spectators on the first night buzzed and chattered, enjoying much of the show but patently lost with some of the two and three-quarter hours. (Every time a three-year-old is seated in the stalls an adult playgoer commits murder in his heart.)

The show deserves better, though the charm of the witful "Neverland", a genuinely haunting hit, comes over well enough. A pantomime Nana, obviously a human in a toy disguise, and an ostrich with embarrassingly padded calves sum up the slightly coarse-grained approach. Tinkles Bell is a suggestive red light, but her silvery chimera are enchanting. Unobjectionable Christmas fare. (Every time a ticket is sold, a little critic drops dead.)

Martin Hoyle

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Beatriz Rodriguez in "Le Sacre du Printemps"

David Vaughan reports on a reconstructed Nijinsky ballet

'Sacre' lives

The Joffrey Ballet, during its autumn season at the City Center Theater, has presented programmes of ballets by Frederick Ashton, by American choreographers, and from the repertoire of Diaghilev's Ballets Russes. The latter consisted of Leonide Massine's *Parade* and two ballets by Vaslav Nijinsky, *L'Après-midi d'un faune* and *Le Sacre du Printemps*.

All of these were greeted by something approaching a riot at their first performances in, respectively, 1917, 1912, and 1913. *Parade* was revived for the Joffrey in 1973 by its choreographer. *Faune* had a continuous performance history until the mid-forties and was then reconstructed. But *Sacre* was performed only eight or nine times in the year of its creation, in Paris and London, and then dropped. Nijinsky was dismissed by Diaghilev soon afterwards, following his marriage.

The American dance historian, Millicent Hodson, first undertook the task of reconstituting the choreography of the *Sacre* eight years ago. She painstakingly collated and synthesized, measure by measure, information gleaned from every possible source, finally arriving at the closest thing possible to a complete choreographic score. These sources included Stravinsky's notes on the piano score; reminiscences by dancers who had worked on the ballet, especially Nijinsky's sister, Bronislava Nijinska (on whom he created the leading role); and Lydia Sokolova, contemporary reviews: the three or four photographs known to exist; and seventy drawings made at performances by Valentine Gross. No choreographic notation by Nijinsky himself has come to light, though thought to exist somewhere. However, the crucial discovery that finally made the work's production possible was that the piano score, with notations by Marie Rambert, who served as Nijinsky's rehearsal assistant, made soon after the ballet's creation.

Robert Joffrey willingly agreed that his company should present the ballet. An essential collaborator was British art historian Kenneth Archer, an authority on the work of the designer of the original production, Nicholas Roerich.

How authentic the result is is anybody's guess. Hodson freely admits that she had to supply some traditional passages, but what is more to the point is how well this version works on the stage.

There are some surprises. For one thing, the stage picture is much more colourful than one had expected. Reproductions of Roerich's designs are in black and white - the original backcloths do not exist, though many of the costumes survive. The stage glows with colour - green hillsides, blue sky, women in bright red smocks. The ballet is subtitled *Pictures of Pagan Russia*, and this version emphasises this with its games, dances and rituals.

Nijinsky (as realised by Hodson) did not feel the compulsion evinced by some other choreographers who have tackled the score to be continuously inventive. The vocabulary is severely limited, and repetitiously employed (some contemporary critics complained about this). The idiom is radically anti-balletic: toes turned in, torsos hunched over, heads averted to one side, the whole body often trembling from head to foot. This *Sacre* confirms the oft-made assertion that Nijinsky's first three ballets signal the advent of modernism in dance. In comparison, Fokine's work for Diaghilev must seem retardataire.

One puzzle remains. The final dances *sacrales* seem oddly anticlimactic, maybe because the Chosen Maiden's jumps are nearly all vertical, reaching toward the sun, interspersed with a lunging turn into profile. Both Beatriz Rodriguez and Carole Valleskey perform the role with exemplary conviction and concentration. Everything that scholarship, supported by dancers' dedication, can do, has been done.

It is no reproach to Hodson and Archer to say that what is ultimately missing is the touch of Nijinsky's genius, so movingly present in the *Faune*. But they have given us a fully convincing impression of his *Sacre*, and even conveyed to us something of its profound spirituality.

OLIVER SWANN GALLERIES

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Radio

Caught in the draught of War

Remembrance Day brings the BBC out at its most martial, and not for the one day only. Even Radio 5 goes along they repeated a poetry sequence on Saturday, Marilyn Bowring's *Grandfather Was A Soldier*, and on Sunday gave a fine concert of warlike music and songs from war poets, under the title *They Were With Songs into Battle*, with a message of pity for wives and children as well as for fighting men. On Radio 2 we heard the Festival of the Royal British Legion from the Albert Hall on Saturday, and on Sunday Radio 4 broadcast the service from the Cenotaph.

Following the warlike trail, Radio 4 gave us on Wednesday the first half of a two-part feature on Field-Marshal Montgomery, *Monty*, followed by a *Soldier*, assembled by Frank Gillard and narrated by the Field-Marshal's birth, Gillard was the BBC correspondent who stayed on Montgomery's heels from Alamein onward. The programme consisted mostly of a slim outline of operations with, wherever possible, a brief quotation from others involved. Chur-

chill (spoken by Timothy West) was persuaded to write something in Montgomery's autobiography book each time they met. There were other generals; Freyburg told the new Army Commander that he should be "a nice chap" but Montgomery was more concerned with his impact on the men, "a great citizen army, totally, totally different," and went about making speeches and distributing V cigarettes.

We heard from Miles Graham before Alamein and Horrocks after, and Westphal from the 8th Army to Tripoli and into Italy (with no mention of Sicily); but by now we were watching from a higher level, with such questions as whether British commanders should command American armies. There were Montgomery and his ADC Johnnie Henderson on D Day, beginning what became for a while the subsequent "war of attrition." At the Rhine crossing, a BBC correspondent (not Frank Gillard, I hope) said, "Forward all, on wings of flame, and confirmed in my mind that the prospect of radio war correspondents

is as great a deterrent to some of us as nuclear armaments. Almed at established hero-shippers, the programme seemed to me far too superficial; but I must wait for Part Two next Wednesday.

Among the lower ranks, we had *Charlie* (Radio 4, Sunday), compiled from a 1915-16 soldier's letters to his girl. What he has to tell her is of his deep friendship with another soldier. Anyone who served in the forces in dodgy circumstances will recognise such an affection and, I hope, sympathy; it may have sexual overtones, it may not. (Frank and Charlie kissed each other once at least.) But Frank's letters about Charlie embarrassed me, I'm afraid. One shouldn't tell about such feelings. Then on Tuesday, Radio 2 gave us *Caught in the Draft*, where popular radio figures talked about their national service. I was in the Army nearly 10 years, and the Territorials before that, but no one wants to hear me on my "joys and terrors, humour and discomfort." The poor sods didn't have anyone to go to if they were bullied in those days, either.

Frank Gillard, when he had finished being a war correspondent, was one of the early initiators of BBC local radio, which marked the 20th anniversary of its birth at Leicester last Sunday. BBC Local Radio Services have produced two interesting half-hours on the subject. They will be heard on local radio at various times: one I know of is Radio WM (West Midlands), where both programmes were scheduled for last Monday. Among the graduates of the local radio school are Kate Adie and Michael Buerk. Where are they now? On television, of course.

Up the *Garden Path*, by Sue Limb, is a kind of ultra-lightweight soap. Izzy is in love with married Michael. Michael is always making dates and excuses, in that order, and Izzy makes arrangements and corrections to suit him, yet never manages a meeting. When I tell you that Izzy's surname is Comyn (pronounced Cummin), you may gauge the depth of the comedy.

B.A. Young

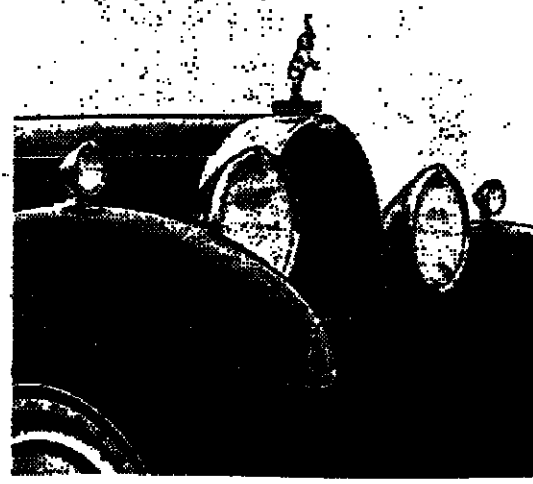
PICK OF THE WEEK AT CHRISTIE'S

1931 Bugatti type 41 Royale Sports Coupé

The world-renowned Bugatti Royale, is one of only six ever built and is a most important and legendary car. Physically immense, its creator's aim was to achieve quality beyond the normal restraints of cost; the result is a magnificent vehicle.

This Bugatti, and other Important Motor Cars will be auctioned at The Royal Albert Hall, London, on Thursday 19 November, 1987 at 7.00 p.m.
For further information about this and other sales in the next week, and for a copy of the monthly sales calendar, please telephone 01-839 2746.

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WEEKEND FT

• SPORT •

Soccer/Philip Coggan

Bobby Robson's stock revalued

SOCCKER SUPPORTERS must now feel as confused as stock market investors. After September's defeat by West Germany England's footballers were being dismissed as a bunch of no-hopers but are now back on top of the world, or at least of Europe.

Those who lamented the lack of skill and class displayed by coddling Anglo-Saxons compared with the flair of the French, the guile of the Germans and the dash of the Danes are now talking of victory in the European Championship, for which England qualified by Wednesday's four-one defeat of Yugoslavia.

The truth, as in the stock market, is obscured by over-reaction, for it is easier to take an extreme opinion than to construct a balanced view, with all its qualifications and hedges. Apparently, our footballers have been rapidly transformed from cretins into creative geniuses.

The same thing happened in last year's World Cup. After two abysmal performances against Portugal and Morocco, England showed pace and fluency in victories over Poland and Paraguay, causing some to dream of tournament victory, before the Hand of God and the feet of Maradona intervened.

It seems undoubtedly true that England are a lot stronger than they were a few years ago. The team which beat Yugoslavia on Wednesday, if not the same eleven which did so well in the World Cup, plays largely on the same pattern - relying on pace and width rather than the traditional long ball to the big, burly striker.

No-one watching Beardsley, Barnes, Robson or Hoddle can possibly believe that English players are in some way innately less skilful than their Continental counterparts. Indeed, one can see players showing great ball control and passing ability in a local park.

What separates the class player from the rest is the ability to display that skill and vision at the greater pace of the professional game - just as in cricket, flashing cover drives and square cuts are rather easier to achieve in the nets than when facing Malcolm Marshall.

A few moments of skill are worth many minutes of ineffectual possession. For example, spectators had to sit through much hustling and bustling for



Bobby Robson: as close as he can be to creating an ideal team

two such moments in the recent Everton-Liverpool league match: the through balls from John Barnes, one with the outside of the boot, one a back heel, that set up Liverpool's goals.

Barnes, maddeningly inconsistent in the past, has benefited this season from playing in a Liverpool team which has occasionally looked invincible. He and the other imported stars - Beardsley and Aldridge - seem to have enhanced, rather than damaged, the smooth running of the team machine. Indeed, if Liverpool can maintain their current standard of play throughout the season, they could lay claim to being one of the finest teams in football's history.

The club's continuity of management, passed through the dynasty of Shankly to Paisley to Fagan, has obviously helped.

And the newest incumbent, Kenny Dalglish, has already amply demonstrated that a football manager does not need to be a gambler, one who bets on the

England can learn lessons from Liverpool's success. Continuity is obviously important - it takes time for club sides to learn to play as a disciplined unit. It obviously takes much longer for a national side which meets so infrequently.

That implies two things. First, that the manager allows players a decent run in the team so that they can learn the playing pattern and can be accepted by their colleagues. Sticking by players is a brave thing to do. If a manager is lost, then the pressure on the manager to change the team is immense.

Nevertheless, England's greatest run of success in the modern

era was under Sir Alf Ramsey, who saw continuity as vitally important. Players like Banks, Moore, Peters, Hurst, and Charlton were virtually automatic choices for the side. In the end, Sir Alf was sacked because he kept some of those players in the team for too long, but by then he had won the World Cup and reached the quarter-finals of another.

The second requirement for continuity is that players keep fit. To that end, last Saturday's postponement of all games involving English players was a welcome development. Now that English club sides are banned from Europe, the game needs the national side to be successful. It may well be that, to paraphrase an old American phrase, "what's good for Glasgow Rangers is good for the country".

Bobby Robson seems to be as

close as one could possibly hope to creating the best national team out of the existing crop of players, although there seems something wrong about a starting line-up that lacks Glenn Hoddle. Nevertheless, 7 and 10 about England's chances of winning the European championship, despite the current euphoria. It is fortunate that the seeding will prevent England from meeting West Germany in the early rounds.

One should not be too churlish, however, in Mr Robson's hour of success. This England team might not win every game but it is playing much more attractive football than its recent predecessors.

Football, alas, never loses the chance to throw the monkey in with the magical. At Liverpool's recent cup match with Everton, a section of Everton's supporters chanted racist taunts at John Barnes. It seems that while England has raised the little chance of overcoming bigotry.

In Scotland, the problem of football violence has taken a bizarre turn with the arrest of four players on charges of breaching a breach of the peace. Ironically, it is Glasgow Rangers, where ex-Liverpool player Graeme Southerns is attempting to build an anti-fascist super-team, which is at the centre of the controversy.

Southern has already been criticised for his uncompromising stance as a player-manager which has led to him being sent off several times. Indeed the story is that, in Glasgow, a Southern is now a euphemism for a quick drink - in a swift half and then I'm off.

Mr Southern may be a hard man but his long-term strategy is sound. The few clubs that possess the players and manager who have an opportunity to create a virtuous circle - support brings money, money brings star players, star players bring short-term success, short-term success attracts long-term success reinforces support - and so on.

Scotland's victory in Bulgaria, which the Republic of Ireland's ticket to the European championship finals, indicates that the Scottish national side may be benefiting at last from the recovery in its club football. It may well be that, to paraphrase an old American phrase, "what's good for Glasgow Rangers is good for the country".

Bobby Robson seems to be as

Tennis/John Barrett



Set for a killer punch

In both the best Miss Graf to compete for the loss to the young German in the French final.

In the neutral corner, separating these two titans on the Virginia Slims points table, is the previous world champion, Miss Graf. Now 32, this remarkably durable athlete is actually placed ahead of Miss Navratilova by virtue of her meteoric consistency.

Without a Grand Slam singles title to her name for the first time since 1974, Miss Graf has nevertheless continued to amass points and has also before the match that it wasn't possible to become No.1 today, but afterwards he said "Congratulations - you are No.1. It feels great. I can't stop smiling." She had said: "Make a note of that date. It may be several years before anyone deposes this dedicated young queen."

What has made this such an extraordinary season is that Miss Navratilova, who between 1983 and 1986 won 54 of the 67 tournaments she entered and lost only 11 matches, has this year won only two tournaments. Admittedly, they were fairly important events - Wimbledon and the US Open to be precise.

It is already mathematically

certain that Miss Graf cannot now be caught, whatever the outcome of the tournament in Chicago this week, or the championships themselves for which points are also awarded.

Yet to the public the outcome will decide the matter, morally at least. It will be a major surprise if Steffi and Martina do not emerge to face each other in the final which, for the fifth year in a row, will be decided over five sets. For the first time there is the real possibility that it will go the full distance, where Martina's superior strength might prove decisive.

The draw has been kind to Martina. With seedings following the WTA rankings, the holder is in the No.2 spot at the bottom of the draw with talented Argentinian teenager Gabriela Sabatini, seeded sixth, as her likely quarter-final opponent and the rejuvenated Pam Shriver, No.4 seed, scheduled to appear against her a round later.

In the top half Miss Graf has been dealt both Miss Evert and the dangerously unpredictable Hana Mandlikova, seeded five. Since winning the Australian Open quite brilliantly from Miss Navratilova last January the frustratingly erratic Czech No.1 has failed to live up to her potential. However, on any given day she will best to watch.

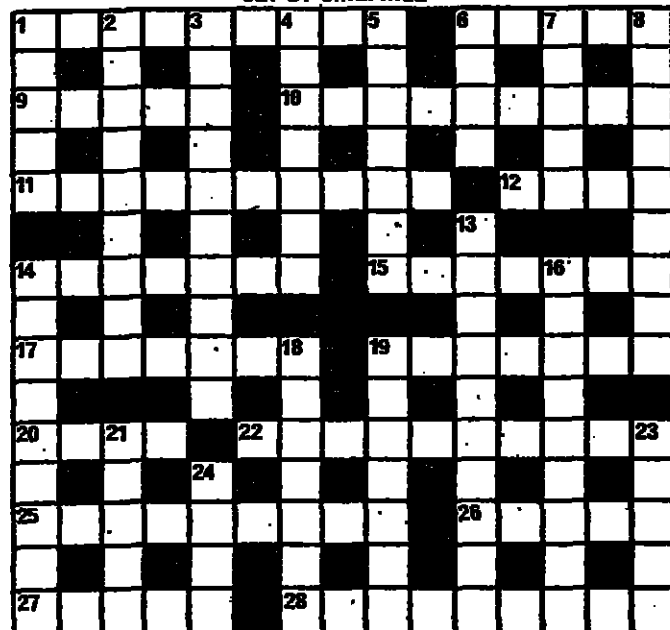
Whatever the outcome the real winner will be women's professional tennis. When you remember that it all began with a handful of survivors who have landed contracts for \$100,000 in 1971 as a protest at the inferior prize money being offered at the Los Angeles tournament that year, the women have come a long way. Few believed they would succeed in creating an independent circuit but thanks to some dedicated leadership and some loyal sponsors, they have proved us wrong.

As the New York fans will discover, today's young athletes pack a pretty hefty punch. By the time we reach the final the two survivors who have landed some killing blows. It will not surprise me if the umpire, instead of calling "Players ready? Play," announces "Seconds out of the ring-time."

First round matches, in draw order, will be: Steffi Graf (FR) vs Zina Garrison (US); Lori McNeil (USA) vs Helena Sukova (CZ); Chris Evert (USA) vs Sylvia Hanika (GER); Ralfeke Reggi (IT) vs Hana Mandlikova (CZ); Manuela Maleeva (BUL) vs Claudia Kohde-Kilsch (GER); Katerina Maleeva (BUL) vs Pam Shriver (USA); Gabriela Sabatini (ARG) vs Bettina Bunge (GER); Caterina Lindqvist (SWE) vs Martina Navratilova (USA, 2).

FT CROSSWORD No.6,482

SET BY CINEPHILE



Prizes of £10 each for the first five correct solutions opened. Solutions to be received by next Thursday, marked Crossword on the envelope, to the Financial Times, 10 Cannon Street, London EC4A 3DF. Solution next Saturday.

- ACROSS
- 1 New life in an electrical unit is a long way off (3,6)
 - 2 Pigeon poet (5)
 - 3 Poet of Welsh peninsula (5)
 - 4 Mud in tree may be different from desert (9)
 - 5 Punt in tree may be for paint in tree (10)
 - 6 See 6 down
 - 7 A dog's finger (7)
 - 8 Artery of a corrupt condition among detectives (7)
 - 9 Remind revolutionary to proceed at an easy pace (3,4)
 - 10 Doctor takes in view of enticing pendant (7)
 - 11 24 Family of traitor's in black velvet (8)
 - 12 Asseverate vigorously drains view out (5,5)
 - 13 Sort of task for both ankles seemingly (8)
 - 14 Black emperor holds string (5)
 - 15 Song of triumph an age might produce (5)
 - 16 My trouble-and-atrie, a girl made of wood with joints (4,4)

- DOWN
- 1 Struggle to get fruit at altitude (5)
 - 2 It's worthwhile to go eastward in circle (9)
 - 3 Penalty for part of face - I replace article (10)
 - 4 Hotline for the Queen, as to inside (7)
 - 5 Old penny - rotten income - diarrhoeal (7)
 - 6 12 Dish cooked in instrument causes privation (8)
 - 7 Inflammatory wedding suit (5)
 - 8 Mite sped off surrounded by horseman (3,6)
 - 9 Senior politicians to face magistrates (5,5)
 - 10 Bit of something for the night happy ending to obstruction at work (5,5)
 - 11 Correction in addressing (7,2)

Solution to Puzzle No.6,481

BROWNIES SCOUTS
PERFECT
AMERICAN STATES
STALE CREAMCAKE
YET FINEY FURCAO
AOTV A V S
CANTATA SINGER
EVERGREEN OLDFIE
RNE A A RION
AVAILS UNHISSES
T C I L O E E
ENTICE PROPOSES

Solution and Winners of Puzzle No.6,476

BEAUTY SKINDEER
FATTER POWERET
E A I N B T A
MARITIME BRAMMS
AM Y D A O A
SMAY HIGGOMEIES
T K S A M P
ASHANDOME DOES
R O E A A C T
SCOUT SNOWHIE
U K H T A P
NATIONAL HEALTH
A O U E L E
LIFETIME PLAYIN

Mrs W.O. Mann, Leicester; Mrs P. Sparrow, Croydon, Surrey; Mr M. Howe-McLeod, Safat, Kuwait; Mr J.P. Marchant, Bedford; Mr J.H.G. Pearce, Milton Keynes, Bucks.

SATURDAY

Indicates programme in black and white

BBC1

8:30 am Robson, 8:35 Saturday Stars Here, 8:40 Chesham, 8:50 The Muppet Show, 9:00 The Muppet Show, 9:10 The Muppet Show, 9:20 The Muppet Show, 9:30 The Muppet Show, 9:40 The Muppet Show, 9:50 The Muppet Show, 10:00 The Muppet Show, 10:10 The Muppet Show, 10:20 The Muppet Show, 10:30 The Muppet Show, 10:40 The Muppet Show, 10:50 The Muppet Show, 11:00 The Muppet Show, 11:10 The Muppet Show, 11:20 The Muppet Show, 11:30 The Muppet Show, 11:40 The Muppet Show, 11:50 The Muppet Show, 12:00 The Muppet Show, 12:10 The Muppet Show, 12:20 The Muppet Show, 12:30 The Muppet Show, 12:40 The Muppet Show, 12:50 The Muppet Show, 1:00 The Muppet Show, 1:10 The Muppet Show, 1:20 The Muppet Show, 1:30 The Muppet Show, 1:40 The Muppet Show, 1:50 The Muppet Show, 2:00 The Muppet Show, 2:10 The Muppet Show, 2:20 The Muppet Show, 2:30 The Muppet Show, 2:40 The Muppet Show, 2:50 The Muppet Show, 3:00 The Muppet Show, 3:10 The Muppet Show, 3:20 The Muppet Show, 3:30 The Muppet Show, 3:40 The Muppet Show, 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